

**HERTFORD COUNTY
WINTON, NORTH CAROLINA**

FINANCIAL STATEMENTS

JUNE 30, 2013



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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of County Commissioners
Hertford County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Hertford County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hertford County Public Health Authority, the Hertford County ABC Board or the Hertford County Economic Development Commission. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hertford County Public Health Authority, Hertford County ABC Board, and the Hertford County Economic Development Commission is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Hertford County ABC Board and the Hertford County Economic Development Commission were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Other Postemployment Benefits' Schedule of Funding Progress and Employer Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Hertford County, North Carolina. The combining and individual nonmajor fund financial statements, budgetary schedules and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Implementation Act*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, on our consideration of Hertford County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hertford County's internal control over financial reporting and compliance.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
November 20, 2013

Management's Discussion and Analysis

As management of the County, we offer readers of Hertford County's financial statements this narrative overview and analysis of the financial activities of Hertford County for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

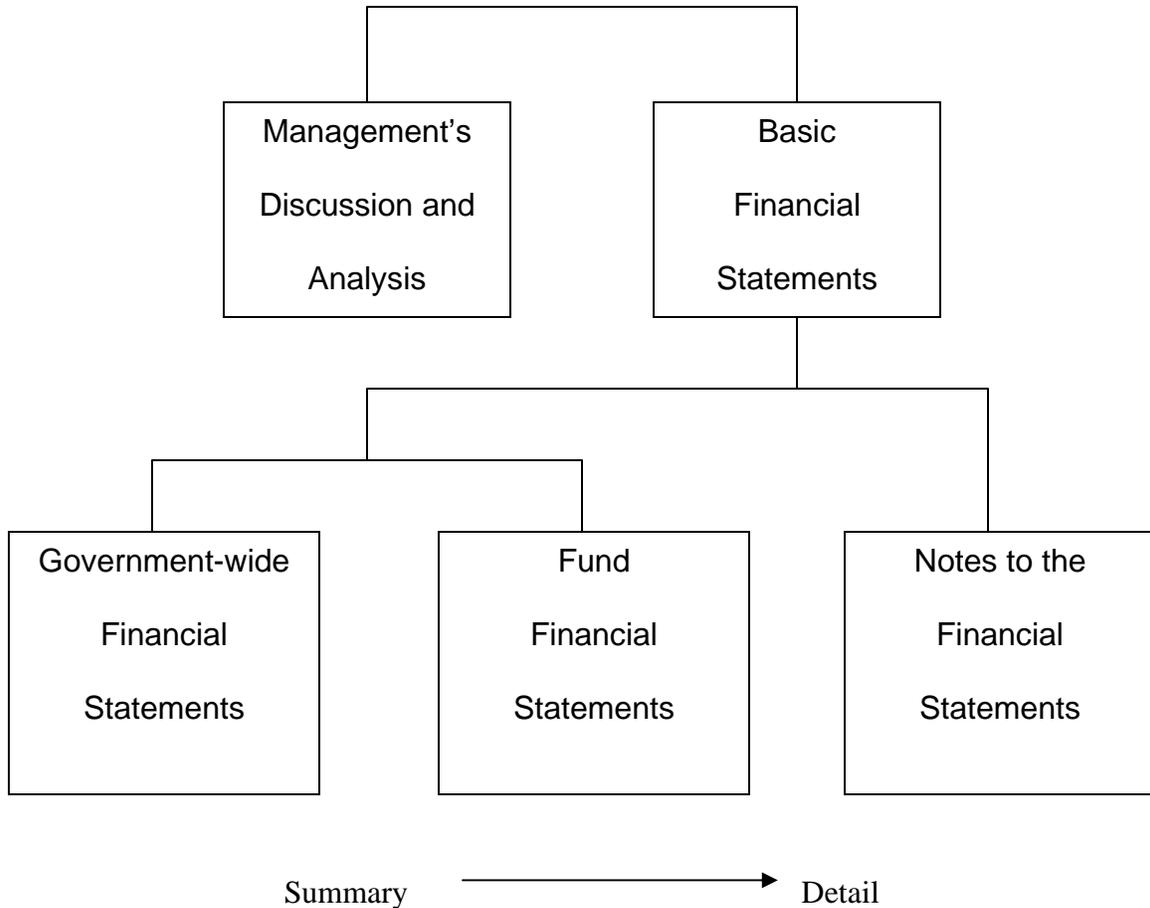
- The assets and deferred outflows of resources of Hertford County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$16,736,818 (*net position*).
- The government's total net position increased by \$802,195, primarily due to increased net position in the General Fund.
- As of the close of the current fiscal year, Hertford County's governmental funds reported combined ending fund balances of \$20,656,574 an increase of \$12,052,428 in comparison with the prior year. Approximately 64.06 percent of this total amount or \$13,231,591 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,699,461 or 20.95 of total general fund expenditures for the fiscal year.
- Hertford County's total debt increased by \$12,193,645 (98.8%) during the current fiscal year. The key factor in this increase is the County's new debt of \$11,945,000 of limited obligation bonds and \$307,000 of bond anticipation notes.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Hertford County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Hertford County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's other postemployment benefits.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer and solid waste services offered by Hertford County. The final category is the component units. Although legally separate, component units are important because the County is financially accountable for these entities. The County has three component units including the Economic Development Commission, the Hertford County ABC Board and Hertford County Health Authority that are reported as discretely presented component units.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Hertford County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related

legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Hertford County can be divided into three categories: governmental fund, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Hertford County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – Hertford County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Hertford County uses enterprise funds to account for its water and sewer activity and for its solid waste operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Hertford County has four fiduciary funds: the Social Services Fund for benefit of certain individuals; the Inmates Money Fund for funds of

inmates held by the County for their personal expenses; the Fines and Forfeitures Fund for funds collected by the County and remitted to the Hertford County Board of Education; and the Tax Fund which accounts for taxes and fees collected by the County for the municipalities and special districts located within the county.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 30 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. Hertford County’s assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$16,736,818 as of June 30, 2013. The County’s net position increased by \$802,195 for the fiscal year ended June 30, 2013. One of the largest portions, \$8,134,354 (48.60%) reflects the County’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). Hertford County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Hertford County’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Hertford County’s net position \$13,231,591 (79.06%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(4,629,127) is unrestricted.

Hertford County’s Net Position
Figure 2

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and other assets | \$ 23,000,775 | \$ 11,011,719 | \$ 2,485,952 | \$ 2,205,897 | \$ 25,486,727 | \$ 13,217,616 |
| Capital assets | 5,774,259 | 4,472,851 | 11,439,749 | 11,436,874 | 17,214,008 | 15,909,725 |
| Total assets | 28,775,034 | 15,484,570 | 13,925,701 | 13,642,771 | 42,700,735 | 29,127,341 |
| Long-term liabilities outstanding | 16,851,524 | 4,750,620 | 7,683,487 | 7,590,746 | 24,535,011 | 12,341,366 |
| Other liabilities | 1,132,448 | 598,960 | 187,659 | 176,293 | 1,320,107 | 775,253 |
| Total liabilities | 17,983,972 | 5,349,580 | 7,871,146 | 7,767,039 | 25,855,118 | 13,116,619 |
| Deferred inflows of resources | 84,325 | 75,833 | 24,474 | 264 | 108,799 | 76,097 |
| Net position: | | | | | | |
| Net investment in capital assets | 3,776,105 | 3,657,514 | 4,358,249 | 4,101,874 | 8,134,354 | 7,759,388 |
| Restricted | 13,351,591 | 2,185,170 | - | - | 13,351,591 | 2,185,170 |
| Unrestricted | (6,420,959) | 4,216,473 | 1,671,832 | 1,773,594 | (4,749,127) | 5,990,067 |
| Total net position | \$ 10,706,737 | \$ 10,059,157 | \$ 6,030,081 | \$ 5,875,468 | \$ 16,736,818 | \$ 15,934,625 |

Several particular aspects of the County’s financial operations influenced the total unrestricted governmental net position:

- Continued recognition of OPEB liability;
- Continued leadership of the County's Board of Commissioners;
- Approval of the County's proposed annual budget;
- A secure tax base;
- Interest earnings rates decreased;
- Construction for capital project for Judicial Center began.

Hertford County Changes in Net Position
Figure 3

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,016,394 | \$ 1,679,946 | \$ 2,315,412 | \$ 2,309,139 | \$ 4,331,806 | \$ 3,989,085 |
| Operating grants and contributions | 4,455,978 | 4,921,541 | - | - | 4,455,978 | 4,921,541 |
| Capital grants and contributions | 567,342 | 438,601 | - | - | 567,342 | 438,601 |
| General revenues: | | | | | | |
| Property taxes | 12,589,043 | 11,955,395 | - | - | 12,589,043 | 11,955,395 |
| Local option sales tax | 3,923,201 | 3,967,844 | - | - | 3,923,201 | 3,967,844 |
| Other taxes | 201,069 | 100,331 | - | - | 201,069 | 100,331 |
| Unrestricted grants and contributions | - | 103,411 | - | - | - | 103,411 |
| Investment Earnings | 9,662 | 12,964 | 365 | 445 | 10,027 | 13,409 |
| Miscellaneous | 246,084 | 249,415 | 18,712 | 149,606 | 264,796 | 399,021 |
| Total Revenues | <u>24,008,773</u> | <u>23,429,448</u> | <u>2,334,489</u> | <u>2,459,190</u> | <u>26,343,262</u> | <u>25,888,638</u> |
| Expenses: | | | | | | |
| General government | 3,575,935 | 3,018,196 | - | - | 3,575,935 | 3,018,196 |
| Public safety | 6,253,730 | 5,923,909 | - | - | 6,253,730 | 5,923,909 |
| Transportation | 32,468 | 166,292 | - | - | 32,468 | 166,292 |
| Economic and physical development | 990,407 | 852,977 | - | - | 990,407 | 852,977 |
| Human services | 6,921,948 | 6,995,335 | - | - | 6,921,948 | 6,995,335 |
| Cultural and recreation | 91,821 | 157,261 | - | - | 91,821 | 157,261 |
| Education | 5,424,285 | 5,974,325 | - | - | 5,424,285 | 5,974,325 |
| Interest on long-term debt | 41,640 | 78,172 | - | - | 41,640 | 78,172 |
| Sanitation | - | - | 992,529 | 997,490 | 992,529 | 997,490 |
| Water and sewer | - | - | 1,216,304 | 1,169,609 | 1,216,304 | 1,169,609 |
| Total Expenses | <u>23,332,234</u> | <u>23,166,467</u> | <u>2,208,833</u> | <u>2,167,099</u> | <u>25,541,067</u> | <u>25,333,566</u> |
| Increase in net position before transfers | 676,539 | 262,981 | 125,656 | 292,091 | 802,195 | 555,072 |
| Transfers | (28,959) | (102,094) | 28,959 | 102,094 | - | - |
| Increase in net position | 647,580 | 160,887 | 154,615 | 394,185 | 802,195 | 555,072 |
| Net position, July 1 | <u>10,059,157</u> | <u>9,898,270</u> | <u>5,875,466</u> | <u>5,481,281</u> | <u>15,934,623</u> | <u>15,379,551</u> |
| Net position, June 30 | <u>\$ 10,706,737</u> | <u>\$ 10,059,157</u> | <u>\$ 6,030,081</u> | <u>\$ 5,875,466</u> | <u>\$ 16,736,818</u> | <u>\$ 15,934,623</u> |

Governmental activities. Governmental activities increased the County's net position by \$647,580 accounting for 80.73% of the total gain in the net position of Hertford County. Key elements of this increase are as follows:

- Property Tax revenue increased by \$633,648, representing a 5.3% increase over the prior year.
- Grants and other contribution revenue decreased \$336,822 or 6.3% decrease compared to the prior year.
- Charges for services increased by \$342,721 or 8.6% increase compared to the prior year.

Business-type activities. Business-type activities increased Hertford County's net position by 19.27% or \$154,615 over the prior year. The change in net position for business-type activities decreased from the prior year by \$239,572. The key elements of this decrease are as follows:

- Operating expenses decreased in Water and Sewer funds due to some services being contracted out.
- Miscellaneous revenues decreased.
- Capital improvements in Solid Waste increased.

Financial Analysis of the County's Funds

As noted earlier, Hertford County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Hertford County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Hertford County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Hertford County. At the end of the current fiscal year, Hertford County's fund balance available in the General Fund was \$7,426,354 while total fund balance reached \$9,453,959. The Governing Body of Hertford County has determined that the county should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The county currently has an available fund balance of 33.11% of general fund expenditures, while total fund balance represents 42.2% of that same amount.

At June 30, 2013, the governmental funds of Hertford County reported a combined fund balance of \$20,656,574, a 140% percent increase over last year. The primary reason for

this increase is the increase in fund balance in the Hertford County Judicial Center Fund due to debt proceeds received in the amount of \$11,945,000.

There were variances reflected in the governmental fund financial statements for 2013.

- Our 2013 overall collection rate is 93.89%, lower than the state and lower than the prior year rate of 95.26%.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased the budget by \$608,641 or 2.56 percent.

Proprietary Funds. Hertford County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Sanitation Fund at the end of the fiscal year amounted to \$335,131 and those for the Water and Sewer Districts equaled \$1,336,701. Other factors concerning the finances of these funds have already been addressed in the discussion of Hertford County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Hertford County's capital assets for its governmental and business –type activities as of June 30, 2013 totals \$17,214,009 (net of accumulated depreciation). These assets include buildings, water lines, land, machinery and equipment, facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchase of additional vehicles
- Capital improvements in Solid Waste
- Various purchases of additional equipment

Capital Assets (net of depreciation)

Figure 4

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|------------------------------------|----------------------------|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | Land and Improvements | \$ 462,083 | \$ 392,031 | \$ 44,317 | \$ 44,317 | \$ 506,400 |
| Construction in Progress | 1,422,277 | 405,064 | 140,878 | 90,827 | 1,563,155 | 495,891 |
| Buildings and Improvements | 2,851,036 | 2,915,687 | - | - | 2,851,036 | 2,915,687 |
| Plant and distribution systems | - | - | 10,916,075 | 11,209,329 | 10,916,075 | 11,209,329 |
| Equipment | 794,736 | 455,927 | 241,085 | 64,710 | 1,035,821 | 520,637 |
| Vehicle and Motor Equipment | <u>244,128</u> | <u>304,142</u> | <u>97,394</u> | <u>27,691</u> | <u>341,522</u> | <u>331,833</u> |
| Total | <u>\$ 5,774,260</u> | <u>\$ 4,472,851</u> | <u>\$ 11,439,749</u> | <u>\$ 11,436,874</u> | <u>\$ 17,214,009</u> | <u>\$ 15,909,725</u> |

Additional information on capital assets can be found in Note 3(a)(5) on pages 43-45.

Long-term Debt. As of June 30, 2013, Hertford County had total debt outstanding of \$24,535,011 of which \$19,676,500 is bonded debt backed by the full faith and credit of the County.

Hertford County's Outstanding Debt

Figure 5

| | Governmental Activities | | Business-like Activities | | Total | |
|-------------------------------|------------------------------------|----------------------------|-------------------------------------|----------------------------|-----------------------------|-----------------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | General Obligation Bonds | \$ 12,595,000 | \$ 750,000 | \$ 7,081,500 | \$ 7,335,000 | \$ 19,676,500 |
| Installment Purchases | 608,755 | 815,337 | 307,000 | - | 915,755 | 815,337 |
| Compensated Absences | 531,429 | 463,000 | 22,446 | 18,155 | 553,875 | 481,155 |
| Other Postemployment Benefits | <u>3,116,340</u> | <u>2,722,283</u> | <u>272,541</u> | <u>237,591</u> | <u>3,388,881</u> | <u>2,959,874</u> |
| Total Long-Term Debt | <u>\$ 16,851,524</u> | <u>\$ 4,750,620</u> | <u>\$ 7,683,487</u> | <u>\$ 7,590,746</u> | <u>\$ 24,535,011</u> | <u>\$ 12,341,366</u> |

During the past fiscal year, Hertford County's total debt increased by \$12,193,645 or 98.8 percent. General obligation debt of \$100,000 was retired in governmental activities and \$253,500 was retired in business-type activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for Hertford County is \$99,279,153.

Additional information regarding Hertford County's long-term debt can be found in Note III B-7 beginning on page 52 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the current conditions of the County.

- Sales and service revenue increased due to new collection methods and additional contracts.
- The tax rate remained the same.
- The local economy grew due to the expansion of a manufacturing facility, Endiva, which is the largest taxpayer and a major employer in the area.
- There was an increase in property even though the economy is in the midst of economic recession recovery.
- The County continues to maintain a balanced budget.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: The County adopted a budget for fiscal year 2014 with a minimal decrease in General Fund expenditures. The tax rate remained the same as the prior year.

Business-type Activities: The water and sewer rates in the County will remain the same for fiscal year 2014 for residential customers. Changes for commercial customer rates will begin in January 2014.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Robbin Stephenson, Director of Finance, Hertford County, P.O. Box 116, Winton, NC 27986.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2013

| | Governmental Activities | Business-type Activities | Total | Component Units | | |
|---|----------------------------|-----------------------------|----------------------|---------------------------------------|---------------------------------|---|
| | | | | Economic Development Commission | Hertford County ABC Board | Hertford County Public Health Authority |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 6,921,007 | \$ 2,559,925 | \$ 9,480,932 | \$ 161,865 | \$ 130,762 | \$ - |
| Taxes receivable | 1,399,772 | - | 1,399,772 | - | - | - |
| Accrued interest receivable on taxes | 230,708 | - | 230,708 | - | - | - |
| Accounts receivable (net) | 1,590,068 | 385,486 | 1,975,554 | 894 | - | 17,744 |
| Due from other governments | - | - | - | - | - | 98,199 |
| Inventories | - | - | - | - | 252,988 | - |
| Prepaid expenses | - | - | - | - | 525 | 67,845 |
| Internal balances | 459,459 | (459,459) | - | - | - | - |
| Restricted cash and cash equivalents | 12,399,760 | - | 12,399,760 | - | - | 867,200 |
| Capital assets: | | | | | | |
| Land, improvements, and construction in progress | 1,884,360 | 185,195 | 2,069,555 | - | 24,220 | - |
| Other capital assets, net of depreciation | 3,889,900 | 11,254,554 | 15,144,454 | - | 355,576 | 134,331 |
| Total capital assets | 5,774,260 | 11,439,749 | 17,214,009 | - | 379,796 | 134,331 |
| Total Assets | \$ 28,775,034 | \$ 13,925,701 | \$ 42,700,735 | \$ 162,759 | \$ 764,071 | \$ 1,185,319 |
| LIABILITIES | | | | | | |
| Accounts payable & accrued liabilities | \$ 629,395 | \$ 60,436 | \$ 689,831 | \$ 952 | \$ 63,511 | \$ 66,013 |
| Customer deposits | - | 96,658 | 96,658 | - | - | - |
| Accrued interest payable | 32,013 | 30,565 | 62,578 | - | - | - |
| Premium on bonds | 471,040 | - | 471,040 | - | - | - |
| Long-term liabilities | | | | | | |
| Due within one year | 873,278 | 574,111 | 1,447,389 | - | 20,783 | 205,147 |
| Due in more than one year | 15,978,246 | 7,109,376 | 23,087,622 | - | 85,335 | 1,022,774 |
| Total long-term liabilities | 16,851,524 | 7,683,487 | 24,535,011 | - | 106,118 | 1,227,921 |
| Total liabilities | 17,983,972 | 7,871,146 | 25,855,118 | 952 | 169,629 | 1,293,934 |
| DEFERRED INFLOWS OF RESOURCES | 84,325 | 24,474 | 108,799 | - | - | 12,180 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 3,776,105 | 4,358,249 | 8,134,354 | - | 379,796 | 134,331 |
| Restricted for: | | | | | | |
| Stabilization by State Statute | 2,049,527 | - | 2,049,527 | 894 | - | 183,788 |
| Register of Deeds | 1,371 | - | 1,371 | - | - | - |
| Public Safety | 11,180,693 | - | 11,180,693 | - | - | - |
| Working Capital | - | - | - | - | 62,892 | - |
| Capital Improvements | - | - | - | - | - | - |
| Unrestricted (deficit) | (6,300,959) | 1,671,832 | (4,629,127) | 160,913 | 151,754 | (438,914) |
| Total net position | \$ 10,706,737 | \$ 6,030,081 | \$ 16,736,818 | \$ 161,807 | \$ 594,442 | \$ (120,795) |

The notes to the financial statements are an integral part of this statement.

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

| Functions/Programs | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Position | | | | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|---|---------------------------|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units | | |
| | | | | | Governmental Activities | Business-Type Activities | Total | Hertford County Economic Development Commission | Hertford County ABC Board | Hertford County Public Health Authority |
| Primary Government: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 3,575,935 | \$ 489,239 | \$ 13,832 | \$ - | \$ (3,072,864) | \$ - | \$ (3,072,864) | \$ - | \$ - | \$ - |
| Public safety | 6,253,730 | 1,506,510 | 192,885 | - | (4,554,335) | - | (4,554,335) | - | - | - |
| Transportation | 32,468 | - | 89,769 | - | 57,301 | - | 57,301 | - | - | - |
| Economic and physical development | 990,407 | 20,645 | 33,275 | 567,342 | (369,145) | - | (369,145) | - | - | - |
| Human services | 6,921,948 | - | 4,126,217 | - | (2,795,731) | - | (2,795,731) | - | - | - |
| Cultural and recreation | 91,821 | - | - | - | (91,821) | - | (91,821) | - | - | - |
| Education | 5,424,285 | - | - | - | (5,424,285) | - | (5,424,285) | - | - | - |
| Interest on long-term debt | 41,640 | - | - | - | (41,640) | - | (41,640) | - | - | - |
| Total governmental activities | 23,332,234 | 2,016,394 | 4,455,978 | 567,342 | (16,292,520) | - | (16,292,520) | - | - | - |
| Business-type activities: | | | | | | | | | | |
| Sanitation | 992,529 | 852,226 | - | - | - | (140,303) | - | - | - | - |
| Water and Sewer | 1,216,304 | 1,463,186 | - | - | - | 246,882 | - | - | - | - |
| Total business-type activities | 2,208,833 | 2,315,412 | - | - | - | 106,579 | - | - | - | - |
| Total primary government | \$ 25,541,067 | \$ 4,331,806 | \$ 4,455,978 | \$ 567,342 | \$ (16,292,520) | \$ 106,579 | \$ (16,185,941) | \$ - | \$ - | \$ - |
| Component units: | | | | | | | | | | |
| Economic Development Commission | \$ 21,025 | \$ - | \$ 13,000 | \$ - | - | - | - | \$ (8,025) | \$ - | \$ - |
| ABC Board | 2,125,043 | 2,130,285 | - | - | - | - | - | - | 5,242 | - |
| Public Health Authority | 4,354,469 | 2,481,402 | 1,346,032 | - | - | - | - | - | - | (527,035) |
| Total component units | \$ 6,500,537 | \$ 4,611,687 | \$ 1,359,032 | \$ - | - | - | - | \$ (8,025) | \$ 5,242 | \$ (527,035) |
| General revenues: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes, levied for general purpose | | | | | \$ 12,589,043 | \$ - | \$ 12,589,043 | \$ - | \$ - | \$ - |
| Local option sales tax | | | | | 3,923,201 | - | 3,923,201 | - | - | - |
| Other taxes | | | | | 201,069 | - | 201,069 | - | - | - |
| Grants and contributions not restricted to specific programs | | | | | - | - | - | - | - | 331,397 |
| Investment earnings, unrestricted | | | | | 9,662 | 365 | 10,027 | 563 | 592 | 939 |
| Miscellaneous, unrestricted | | | | | 246,084 | 18,712 | 264,796 | - | - | 19,012 |
| Transfers | | | | | (28,959) | 28,959 | - | - | - | - |
| Total general revenues, special items and transfers | | | | | 16,940,100 | 48,036 | 16,988,136 | 563 | 592 | 351,348 |
| Change in net position | | | | | 647,580 | 154,615 | 802,195 | (7,462) | 5,834 | (175,687) |
| Net position, beginning | | | | | 10,059,157 | 5,875,466 | 15,934,623 | 169,269 | 588,608 | 54,892 |
| Net position, ending | | | | | \$ 10,706,737 | \$ 6,030,081 | \$ 16,736,818 | \$ 161,807 | \$ 594,442 | \$ (120,795) |

The notes to the financial statements are an integral part of this statement.

**FUND
FINANCIAL STATEMENTS**

**HERTFORD COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

| | Major | | Nonmajor | Total Governmental Funds |
|--|----------------------|---------------------------------------|--------------------------------|--------------------------------|
| | General Fund | Hertford County Judicial Center | Other Governmental Funds | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 6,504,571 | \$ - | \$ 416,436 | \$ 6,921,007 |
| Restricted cash | 1,373,120 | 11,026,640 | - | 12,399,760 |
| Taxes receivable | 1,394,128 | - | 5,644 | 1,399,772 |
| Accounts receivables, net | 1,568,146 | - | 21,922 | 1,590,068 |
| Due from other funds | 459,459 | - | - | 459,459 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 11,299,424</u> | <u>\$ 11,026,640</u> | <u>\$ 444,002</u> | <u>\$ 22,770,066</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Accounts payable & accrued liabilities | \$ 367,012 | \$ 256,158 | \$ 6,225 | \$ 629,395 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>367,012</u> | <u>256,158</u> | <u>6,225</u> | <u>629,395</u> |
| Deferred Inflows of Resources: | <u>1,478,453</u> | <u>-</u> | <u>5,644</u> | <u>1,484,097</u> |
| Fund balances: | | | | |
| Restricted | | | | |
| Stabilization by State Statute | 2,027,605 | - | 21,922 | 2,049,527 |
| Register of Deeds | 1,371 | - | - | 1,371 |
| Public Safety | - | 10,770,482 | 410,211 | 11,180,693 |
| Committed: | | | | |
| Revaluation | 125,407 | - | - | 125,407 |
| Capital Reserve | 1,246,342 | - | - | 1,246,342 |
| Assigned: | | | | |
| Subsequent year's expenditures | | | | |
| General Fund | 1,353,773 | - | - | 1,353,773 |
| Uassigned: | | | | |
| General Fund | 4,699,461 | - | - | 4,699,461 |
| Capital projects funds | - | - | - | - |
| Total Fund Balances | <u>9,453,959</u> | <u>10,770,482</u> | <u>432,133</u> | <u>20,656,574</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 11,299,424</u> | <u>\$ 11,026,640</u> | <u>\$ 444,002</u> | <u>\$ 22,770,066</u> |

The notes to the financial statements are an integral part of this statement.

**HERTFORD COUNTY, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2013**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

| | |
|--|----------------------|
| Total equity and other credits (Exhibit 3) | \$ 20,656,574 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 5,774,260 |
| Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements | 230,708 |
| Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide | 1,399,772 |
| Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the fund statements | <u>(17,354,577)</u> |
| Net position of governmental activities (Exhibit 1) | <u>\$ 10,706,737</u> |

The notes to the financial statements are an integral part of this statement.

**HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

| | Major | | Nonmajor | Total Governmental Funds |
|---|-------------------|---------------------------------------|--------------------------------|--------------------------------|
| | General Fund | Hertford County Judicial Center | Other Governmental Funds | |
| REVENUES | | | | |
| Ad valorem taxes | \$ 12,638,802 | \$ - | \$ 88,725 | \$ 12,727,527 |
| Local option sales taxes | 3,898,254 | - | 24,947 | 3,923,201 |
| Other taxes and licenses | 97,058 | - | - | 97,058 |
| Unrestricted intergovernmental | 107,629 | - | - | 107,629 |
| Restricted intergovernmental | 4,660,590 | - | 671,192 | 5,331,782 |
| Permits and fees | 220,334 | - | - | 220,334 |
| Sales and services | 1,635,630 | - | - | 1,635,630 |
| Investment earnings | 9,327 | 1,480 | 173 | 10,980 |
| Miscellaneous | 109,712 | - | - | 109,712 |
| Total Revenues | 23,377,336 | 1,480 | 785,037 | 24,163,853 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,552,701 | - | - | 3,552,701 |
| Public safety | 5,863,509 | - | 184,059 | 6,047,568 |
| Transportation | 32,468 | - | - | 32,468 |
| Economic and physical development | 383,632 | - | 585,597 | 969,229 |
| Human services | 6,752,499 | - | - | 6,752,499 |
| Cultural and recreational | 91,821 | - | - | 91,821 |
| Education | 5,424,285 | - | - | 5,424,285 |
| Capital outlay | - | 1,087,265 | - | 1,087,265 |
| Debt service: | | | | |
| Principal | 161,667 | - | - | 161,667 |
| Interest and other charges | 65,750 | 338,045 | - | 403,795 |
| Total Expenditures | 22,328,332 | 1,425,310 | 769,656 | 24,523,298 |
| Excess (deficiency) of revenues over expenditures | 1,049,004 | (1,423,830) | 15,381 | (359,445) |

The notes to the financial statements are an integral part of this statement.

**HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

| | Major | | Nonmajor | Total Governmental Funds |
|---------------------------------------|---------------------|---------------------------------------|--------------------------------|--------------------------------|
| | General Fund | Hertford County Judicial Center | Other Governmental Funds | |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers in from other funds | - | 65,000 | 6,797 | 71,797 |
| Transfers out to other funds | (100,756) | - | - | (100,756) |
| Proceeds from debt | - | 11,945,000 | - | 11,945,000 |
| Premium on debt | | 495,832 | - | 495,832 |
| Total Other Financing Sources (Uses) | (100,756) | 12,505,832 | 6,797 | 12,411,873 |
| Net change in fund balance | 948,248 | 11,082,002 | 22,178 | 12,052,428 |
| Fund Balance - July 1 | 8,505,711 | (311,520) | 409,955 | 8,604,146 |
| Fund Balance - June 30 | <u>\$ 9,453,959</u> | <u>\$ 10,770,482</u> | <u>\$ 432,133</u> | <u>\$ 20,656,574</u> |

The notes to the financial statements are an integral part of this statement.

HERTFORD COUNTY, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Amounts reported for governmental activities in the statement of activities on Exhibit 2 are different because:

| | |
|---|--------------------------|
| Net change in fund balances - total governmental funds (Exhibit 4) | \$ 12,052,428 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over the life of the asset. | 1,692,825 |
| The allocation of the costs of assets over the life of the assets through depreciation is not a current financial use in the funds; therefore, depreciation expense is not recorded in these statements. | (376,138) |
| Cost of assets sold and disposed of not recorded in the fund statements | (15,278) |
| The issuance of long-term debt (e.g., bonds and installment debt) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt. | (12,134,250) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in current financial resources and, therefore, are not reported as expenditures in governmental funds | (456,997) |
| Some revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements | <u>(115,010)</u> |
| Total changes in net position of governmental activities | <u><u>\$ 647,580</u></u> |

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

| | General Fund | | | Variance with Final Positive (Negative) |
|------------------------------------|--------------------|--------------------|-------------------|--|
| | Original Budget | Final Budget | Actual | |
| <u>REVENUES</u> | | | | |
| Ad valorem taxes | \$ 12,022,150 | \$ 12,172,150 | \$ 12,638,802 | \$ 466,652 |
| Local option sales taxes | 3,315,000 | 3,345,000 | 3,426,586 | 81,586 |
| Other taxes and licenses | 91,000 | 91,000 | 97,058 | 6,058 |
| Unrestricted intergovernmental | 65,000 | 90,000 | 107,629 | 17,629 |
| Restricted intergovernmental | 4,498,600 | 4,754,777 | 4,660,590 | (94,187) |
| Permits and fees | 211,700 | 211,700 | 220,334 | 8,634 |
| Sales and services | 1,133,400 | 1,144,400 | 1,635,630 | 491,230 |
| Investment earnings | 15,000 | 15,000 | 9,327 | (5,673) |
| Miscellaneous | 32,000 | 78,907 | 109,712 | 30,805 |
| | <u>21,383,850</u> | <u>21,902,934</u> | <u>22,905,668</u> | <u>1,002,734</u> |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| General government | 3,566,072 | 3,764,482 | 3,552,701 | 211,781 |
| Public safety | 5,822,405 | 6,273,314 | 5,863,509 | 409,805 |
| Transportation | 32,468 | 32,468 | 32,468 | - |
| Economic and physical development | 450,132 | 453,744 | 383,632 | 70,112 |
| Human services | 6,627,425 | 7,019,806 | 6,752,499 | 267,307 |
| Cultural and recreational | 91,821 | 91,821 | 91,821 | - |
| Education | 5,861,863 | 5,424,285 | 5,424,285 | - |
| Debt service | 226,827 | 227,417 | 227,417 | - |
| Contingency | 182,650 | 40,711 | - | 40,711 |
| | <u>22,861,663</u> | <u>23,328,048</u> | <u>22,328,332</u> | <u>999,716</u> |
| Revenues Over (Under) Expenditures | <u>(1,477,813)</u> | <u>(1,425,114)</u> | <u>577,336</u> | <u>2,002,450</u> |

The notes to the financial statements are an integral part of this statement.

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

| | Original Budget | Final Budget | Actual | Variance with Final Positive (Negative) |
|--|--------------------|------------------|---------------------|--|
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers to other funds | (935,000) | (1,077,256) | (925,333) | 151,923 |
| Transfers from other funds | 870,957 | 484,879 | 471,922 | (12,957) |
| Proceeds from debt | 50,000 | 50,000 | - | (50,000) |
| Appropriated fund balance | 1,491,856 | 1,967,491 | - | (1,967,491) |
| Total other financing sources (uses) | <u>1,477,813</u> | <u>1,425,114</u> | <u>(453,411)</u> | <u>(1,878,525)</u> |
| Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>\$ -</u> | <u>\$ -</u> | 123,925 | <u>\$ 123,925</u> |
| Fund Balance - July 1 | | | <u>7,958,285</u> | |
| Fund Balance - June 30 | | | <u>\$ 8,082,210</u> | |
| A legally budgeted School Capital Reserve Fund, Capital Reserve Fund, and Revaluation Fund were consolidated into the General fund for reporting purposes: | | | | |
| Investment Earnings | | | - | |
| Sales tax | | | 471,668 | |
| Transfers-to General Fund | | | (471,922) | |
| Transfers from General Fund | | | 824,577 | |
| Expenditures | | | - | |
| Fund Balance, Beginning | | | <u>547,426</u> | |
| Fund Balance, Ending (Exhibit 4) | | | <u>\$ 9,453,959</u> | |

The notes to the financial statements are an integral part of this statement.

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

| | Major Funds | | Nonmajor Funds | | Total |
|---|-------------------------------|-------------------------------|----------------------------|--------------------|---------------|
| | Northern Water District | Southern Water District | Tunis Sewer District | Sanitation Fund | |
| <u>ASSETS</u> | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 473,326 | \$ 1,499,791 | \$ 286,857 | 299,951 | \$ 2,559,925 |
| Receivables (net) | 23,180 | 93,729 | - | 268,577 | 385,486 |
| Total Current Assets | 496,506 | 1,593,520 | 286,857 | 568,528 | 2,945,411 |
| Noncurrent Assets: | | | | | |
| Capital assets: | | | | | |
| Land, improvements, and construction in progress | - | 10,000 | 152,149 | 23,046 | 185,195 |
| Other capital assets, net of depreciation | 3,340,705 | 7,587,475 | - | 326,374 | 11,254,554 |
| Total Capital Assets | 3,340,705 | 7,597,475 | 152,149 | 349,420 | 11,439,749 |
| Total non-current assets | 3,340,705 | 7,597,475 | 152,149 | 349,420 | 11,439,749 |
| Total Assets | \$ 3,837,211 | \$ 9,190,995 | \$ 439,006 | \$ 917,948 | \$ 14,385,160 |
| <u>LIABILITIES</u> | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 3,251 | \$ 832 | \$ - | \$ 56,353 | \$ 60,436 |
| Customer deposits | 30,863 | 65,795 | - | - | 96,658 |
| Accrued interest payable | 8,958 | 20,100 | 1,507 | - | 30,565 |
| Due to other funds | 132,151 | 327,308 | - | - | 459,459 |
| Compensated absences | 1,472 | 1,703 | - | 2,436 | 5,611 |
| Bond anticipations notes payable | - | - | 307,000 | - | 307,000 |
| General obligation bonds payable | 55,000 | 206,500 | - | - | 261,500 |
| Total Current Liabilities | 231,695 | 622,238 | 308,507 | 58,789 | 1,221,229 |
| Noncurrent Liabilities: | | | | | |
| Compensated absences | 4,416 | 5,109 | - | 7,309 | 16,834 |
| General obligation bonds payable | 2,150,000 | 4,670,000 | - | - | 6,820,000 |
| OPEB obligation | 44,264 | 60,979 | - | 167,299 | 272,542 |
| Total Noncurrent Liabilities | 2,198,680 | 4,736,088 | - | 174,608 | 7,109,376 |
| Total Liabilities | 2,430,375 | 5,358,326 | 308,507 | 233,397 | 8,330,605 |
| Deferred Inflows of Resources | 9,460 | 15,014 | - | - | 24,474 |
| <u>NET POSITION</u> | | | | | |
| Net investment in capital assets | 1,135,705 | 2,720,975 | 152,149 | 349,420 | 4,358,249 |
| Unrestricted | 261,671 | 1,096,680 | (21,650) | 335,131 | 1,671,832 |
| Total Net Position | \$ 1,397,376 | \$ 3,817,655 | \$ 130,499 | \$ 684,551 | \$ 6,030,081 |

The notes to the financial statements are an integral part of this statement.

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Major Funds | | Nonmajor Funds | | Total |
|--|-------------------------------|-------------------------------|----------------------------|--------------------|--------------|
| | Northern Water District | Southern Water District | Tunis Sewer District | Sanitation Fund | |
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 436,138 | \$ 946,822 | \$ - | \$ 852,226 | \$ 2,235,186 |
| Tap on fees | 22,600 | 57,226 | 400 | - | 80,226 |
| Miscellaneous | 4,878 | 22,814 | - | (8,980) | 18,712 |
| Total operating revenues | 463,616 | 1,026,862 | 400 | 843,246 | 2,334,124 |
| OPERATING EXPENSES | | | | | |
| Administration and Operations | 226,692 | 326,426 | - | 975,755 | 1,528,873 |
| Depreciation | 92,442 | 209,917 | - | 16,774 | 319,133 |
| Total Operating Expenses | 319,134 | 536,343 | - | 992,529 | 1,848,006 |
| OPERATING INCOME (LOSS) | 144,482 | 490,519 | 400 | (149,283) | 486,118 |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest and investment revenue | - | - | - | 365 | 365 |
| Interest paid | (109,818) | (251,009) | - | - | (360,827) |
| Total Nonoperating Revenues (Expenses) - Net | (109,818) | (251,009) | - | 365 | (360,462) |
| INCOME BEFORE CONTRIBUTIONS AND TRANSFERS | 34,664 | 239,510 | 400 | (148,918) | 125,656 |
| Transfer from other funds | 2,452 | 3,483 | 20,000 | 3,024 | 28,959 |
| Total | 2,452 | 3,483 | 20,000 | 3,024 | 28,959 |
| CHANGE IN NET POSITION | 37,116 | 242,993 | 20,400 | (145,894) | 154,615 |
| TOTAL NET POSITION, BEGINNING | 1,360,260 | 3,574,662 | 110,099 | 830,445 | 5,875,466 |
| TOTAL NET POSITION, ENDING | \$ 1,397,376 | \$ 3,817,655 | \$ 130,499 | \$ 684,551 | \$ 6,030,081 |

The notes to the financial statements are an integral part of this statement.

HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Major Funds | | Nonmajor Funds | | Total |
|--|-------------------------------|-------------------------------|----------------------------|--------------------|---------------------|
| | Northern Water District | Southern Water District | Tunis Sewer District | Sanitation Fund | |
| Cash flows from operating activities: | | | | | |
| Cash received from customers | \$ 460,148 | \$ 993,919 | \$ 400 | \$ 819,789 | \$ 2,274,256 |
| Cash paid for goods and services | (112,480) | (188,108) | 120,146 | (503,634) | (684,076) |
| Cash paid to employees for services | (95,205) | (118,641) | (118,639) | (375,257) | (707,742) |
| Other operating revenue | 4,878 | 22,814 | - | (8,980) | 18,712 |
| Net cash provided by (used) by operating activities | <u>257,341</u> | <u>709,984</u> | <u>1,907</u> | <u>(68,082)</u> | <u>901,150</u> |
| Cash flows from noncapital financing activities: | | | | | |
| Due to other funds | (20,000) | (100,000) | - | - | (120,000) |
| Transfers (to) from other funds | 2,452 | 3,483 | 20,000 | 3,024 | 28,959 |
| Net cash provided (used) by noncapital financing activities | <u>(17,548)</u> | <u>(96,517)</u> | <u>20,000</u> | <u>3,024</u> | <u>(91,041)</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Proceeds from sale of fixed assets | - | - | - | 13,429 | 13,429 |
| Purchase of capital assets | (25,067) | (50,133) | (50,051) | (272,421) | (397,672) |
| Principal paid on bond maturities | (52,000) | (201,500) | - | - | (253,500) |
| Interest paid on bond maturities | (109,818) | (251,009) | - | - | (360,827) |
| Net cash provided by capital and related financing activities | <u>(186,885)</u> | <u>(502,642)</u> | <u>(50,051)</u> | <u>(258,992)</u> | <u>(998,570)</u> |
| Cash flows from investing activities: | | | | | |
| Proceeds from loan | - | - | 307,000 | - | 307,000 |
| Interest on investments | - | - | - | 365 | 365 |
| Net cash provided by investing activities | <u>-</u> | <u>-</u> | <u>307,000</u> | <u>365</u> | <u>307,365</u> |
| Net increase (decrease) in cash and cash equivalents | <u>52,908</u> | <u>110,825</u> | <u>278,856</u> | <u>(323,685)</u> | <u>118,904</u> |
| Cash and cash equivalents, July 1 | <u>420,418</u> | <u>1,388,966</u> | <u>8,001</u> | <u>623,636</u> | <u>2,441,021</u> |
| Cash and cash equivalents, June 30 | <u>\$ 473,326</u> | <u>\$ 1,499,791</u> | <u>\$ 286,857</u> | <u>\$ 299,951</u> | <u>\$ 2,559,925</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | |
| Operating income (loss) | \$ 144,482 | \$ 490,519 | \$ 400 | \$ (149,283) | \$ 486,118 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation | 92,442 | 209,917 | - | 16,774 | 319,133 |
| Gain on sale of assets | - | - | - | 62,235 | 62,235 |
| Change in assets and liabilities: | | | | | |
| (Increase) decrease in accounts receivable | 1,410 | (10,129) | - | (32,437) | (41,156) |
| Increase (decrease) in accounts payable and accrued liabilities | (424) | (2,532) | - | 11,088 | 8,132 |
| Increase (decrease) in customer deposits | 1,000 | 1,830 | - | - | 2,830 |
| Increase (decrease) in accrued interest payable | (211) | (891) | 1,507 | - | 405 |
| Increase (decrease) in deferred revenue | 10,779 | 13,431 | - | - | 24,210 |
| Increase (decrease) in compensated absences | 1,811 | (1,076) | - | 3,557 | 4,292 |
| Increase (decrease) in other postemployment benefits | 6,052 | 8,915 | - | 19,984 | 34,951 |
| Total adjustments | <u>112,859</u> | <u>219,465</u> | <u>1,507</u> | <u>81,201</u> | <u>415,032</u> |
| Net cash provided by operating activities | <u>\$ 257,341</u> | <u>\$ 709,984</u> | <u>\$ 1,907</u> | <u>\$ (68,082)</u> | <u>\$ 901,150</u> |

The notes to the financial statements are an integral part of this statement.

**HERTFORD COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

| | <u>Agency Funds</u> |
|---------------------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 145,206</u> |
| LIABILITIES AND NET ASSETS | |
| Liabilities: | |
| Miscellaneous liabilities | <u>\$ 145,206</u> |

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE BASIC FINANCIAL
STATEMENTS**

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

I. Summary of Significant Accounting Policies

The accounting policies of Hertford County and its component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units; legally separate entities for which the County is financially accountable. Hertford County Northern and Southern Water Districts (the *Districts*) exist to provide and maintain water systems for the County residents within the districts. The Districts are reported as enterprise funds in the County's financial statements. Hertford County Economic Development Commission (the *Commission*) exists for economic development purposes. Hertford County Public Health Authority (The Authority) exists to provide health services to County residents. The Commission and Authority, which have June 30 year-ends, and the Hertford County ABC Board (the *Board*), which has a June 30 year-end, are presented as if they are separate proprietary funds of the County (discrete presentation). The blended presentation method presents component units as a department or unit of the County, and offers no separate presentation as with the discrete method.

| Component Unit | Reporting Method | Criteria for Inclusion | Separate Financial Statements |
|---|------------------|---|--|
| Hertford County Northern Water District | Blended | Under State law [NCGS 162A-89], the County's Board of Commissioners also serve as the governing Board for the District. | None issued. |
| Hertford County Southern Water District | Blended | Under State law [NCGS 162A-89], the County's Board of Commissioners also serve as the governing Board for the District. | None issued. |
| Hertford County Economic Development Commission | Discrete | The Commission is governed by a nine-member Board of Commissioners that is appointed by the County Commissioners. The County can remove any commissioner of the Commission with or without cause. | Hertford County Economic Development Commission King Street Winton, NC 27986 |
| Hertford County ABC Board | Discrete | The members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. | Hertford County ABC Board US 13 South Ahoskie, NC 27910 |
| Hertford County Public Health Authority | Discrete | The members of the Public Health Authority's governing board are appointed by the County. The County is financially accountable to the Authority. | Hertford County Public Health Authority Winton, NC 27986 |

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Hertford County Judicial Center Fund. This fund is used to account for the judicial center capital project.

The County reports the following major enterprise funds.

Northern Water District Fund. This fund is used to account for the operation of the northern water district within the County.

Southern Water District Fund. This fund is used to account for the operations of the southern water district within the County.

The County reports the following fund type:

Agency Funds – Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures and DMV Interest Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Hertford County Board of Education and interest collected and three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County; and the Inmates Money Fund, which accounts for monies of inmates that are held by the County for their personal expenses.

Non-major Funds – The County maintains seven legally budgeted funds. The Emergency Telephone System Fund, the Fire District Fund, the Scattered Site CDBG Fund, and the EDC Infrastructure Project Fund are reported as non-major special revenue funds. The School Capital Reserve Fund, Revaluation Fund, and Capital Reserve are consolidated in the General Fund in accordance with GASB Statement No. 54.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Hertford County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone System Fund, the School Capital Reserve Fund, the Capital Reserve Fund, the Fire District Fund, the Revaluation Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Hertford County Judicial Center Fund, the EDC Infrastructure Project Fund, the Scattered Site CDBG Fund and the Enterprise Capital Projects Funds, which are consolidated with the enterprise operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the General Fund and functional level for all other annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

E. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

1. Deposits and Investments

All deposits of the County, Hertford County Economic Development Commission, Hertford County Public Health Authority and Hertford County ABC Board are made in board-designated official depositories and are secured as required by G. S. 159-31. The County, the Economic Development Commission, Authority, and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County, the Economic Development Commission, Authority, and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State Law [G.S. 159-30(c)] authorizes the County, the Economic Development Commission, Authority, and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The County, the Economic Development Commission, Authority, and the ABC Board's investments with maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

2. Cash and Cash Equivalents

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board consider demand deposits and investments purchased with an original maturity of three months or less and which are not limited as to use to be cash and cash equivalents. Hertford County Economic Development Commission has only demand deposits, which are considered cash.

3. Restricted Assets

The unexpended bond proceeds of the District's Serial Bonds are classified as restricted assets within the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. At June 30, 2013, there were no unexpended bond proceeds of the District's Serial Bonds. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Tax Revaluation Fund and Capital Reserve Fund and money reserved for Register of Deeds is also classified as restricted assets because its use is restricted per North Carolina General Statute 153-A-150.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2012. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory

The inventories of the ABC Board are valued at cost (first-in, first-out) which approximates market. The costs of any consumable materials and supplies on hand are not significant to the financial statements; therefore, the County has chosen to report these items as expenditures/expenses at the time of purchase.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are as follows: land \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; computer equipment, furniture and equipment, \$5,000; and vehicles \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Hertford County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education after all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Hertford County Board of Education.

Capital Assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

| | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 25-50 |
| Improvements | 7-15 |
| Furniture and equipment | 5-20 |
| Vehicles | 3-15 |
| Computer equipment | 3 |

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | <u>Years</u> |
|------------------------|--------------|
| Buildings | 25-33 |
| Furniture/equipment | 5-10 |
| Vehicles | 7 |
| Leasehold Improvements | 3-5 |

Capital assets of the Authority are depreciated over their useful lives on a straight-line basis as follows:

| | <u>Years</u> |
|-------------------------|--------------|
| Leasehold Improvement | 40 |
| Equipment and furniture | 7 |
| Vehicles | 5 |

At June 30, 2013, the Economic Development Commission has no capital assets.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows or resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will be recognized as revenue until then. The County has only one item that meet the criterion for this category – prepaid taxes.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

10. Compensated Absences

The vacation policies of the County, the ABC Board and the Authority provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The vacation policies of the County provide for an unlimited accumulation of earned vacation leave with such leave being fully vested when earned. For the County’s government-wide and proprietary funds and the Authority, and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County, the Authority, and the ABC Board provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made by the County or its component units.

The Economic Development Commission had no employees.

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization of State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8 (a)].

Restricted for Register of Deeds – portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for emergency telephone system expenditures.

Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority vote of Hertford County’s governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for Revaluation – portion of fund balance that can only be used for Tax Revaluation.

Committed for Capital Reserve – portion of fund balance that can only be used for Capital Reserve.

Assigned Fund Balance – portion of fund balance that the Hertford County governing board has budgeted.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriations.

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

**HERTFORD COUNTY, NORTH CAROLINA
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F. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(9,949,837) consists of the following:

| <u>Description</u> | <u>Amount</u> |
|--|---------------------------|
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column) | \$ 11,650,511 |
| Less Accumulated Depreciation | <u>5,876,251</u> |
| Net capital assets | <u>5,774,260</u> |
| Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements. | 230,708 |
| Liabilities for deferred inflows of resourced reported in the fund statements but not the government-wide | 1,399,772 |
| Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements: | |
| Bonds, leases, and installment financing | (13,674,795) |
| Compensated absences | (531,429) |
| Other postemployment benefits | (3,116,340) |
| Accrued interest payable | <u>(32,013)</u> |
| Total adjustment | <u>\$ (9,949,837)</u> |

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The government fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of \$(11,404,848) is comprised of the following:

| <u>Description</u> | <u>Amount</u> |
|--|---------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities | \$ 1,692,825 |
| Cost of disposed capital asset not recorded in the fund statements | (15,278) |
| Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements | (376,138) |

**HERTFORD COUNTY, NORTH CAROLINA
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| | |
|---|-----------------------|
| New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it affects only the government-wide statement of net position. | (11,945,000) |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements | 306,582 |
| Premium on new debt issued during the year is recorded as a source of fund statements; it has no effect on the statement of activities- it affects only the government-wide statement of net position. | (495,832) |
| Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements | |
| Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual) | 5,489 |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources | (68,429) |
| Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources | (394,057) |
| Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements | |
| Increase in accrued interest receivable | (1,318) |
| Reversal of deferred tax revenue recorded at 7-1-12 | (1,374,102) |
| Recording of tax receipts deferred in the fund statements as of 6-30-13 | 1,399,772 |
| Increase in accrued taxes receivable for year ended 6-30-13 | (164,154) |
| Amortization of bond premium | <u>24,792</u> |
| Total adjustment | <u>\$(11,404,848)</u> |

III. Detail Notes on All Funds

a. Assets

1. Deposits

All of the County's, the Economic Development Commission's, the Public Health Authority's, and the ABC Board's, deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, the Economic Development Commission's, the Public Health Authority's, or the ABC Boards agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, the Economic Development Commission, the Public Health Authority, and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, the Economic Development Commission, the Public Health Authority, or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Economic Development Commission, the Public Health Authority, or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County, the Economic Development Commission, the Public Health Authority, and the ABC Board rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board and the Economic Development Commission has no formal policy regarding custodial credit risk for deposits.

At June 30, 2013, the County's deposits had a carrying amount of \$16,692,710 and a bank balance of \$17,142,631. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2013, Hertford County had \$1,175 cash on hand.

At June 30, 2013, the carrying amount of deposits for Hertford County ABC Board was \$130,762 and the bank balance was \$232,414. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was covered by collateral held under the pooling method.

At June 30, 2013, the carrying amount of deposits for the Economic Development Commission was \$161,865 and a bank balance of \$161,865. All of the bank balance was covered by federal depository insurance.

At June 30, 2013, the carrying amount of deposits for the Public Health Authority was \$822,906 and a bank balance of \$686,098. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$436,098 was covered by collateral held under the pooling method.

2. Investments

At June 30, 2013, the County's investments consisted of \$5,332,013 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

At June 30, 2013, the Public Health Authority invested \$44,294 with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Authority does not have a formal policy for managing interest rate risk or credit rate risk.

**HERTFORD COUNTY, NORTH CAROLINA
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3. Property Tax –Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

| <u>Year Levied</u> | <u>Total Taxes</u> | <u>Interest</u> | <u>Total</u> |
|------------------------|------------------------|-------------------|---------------------|
| 2010 | \$ 797,609 | \$ 260,656 | \$ 1,058,265 |
| 2011 | 806,043 | 191,055 | 997,098 |
| 2012 | 1,016,045 | 149,336 | 1,165,381 |
| 2013 | <u>1,003,162</u> | <u>-</u> | <u>1,003,162</u> |
| Totals | <u>\$ 3,622,859</u> | <u>\$ 601,047</u> | <u>\$ 4,223,906</u> |

4. Receivables

Receivables at the government-wide level at June 30, 2013, were as follows:

| | <u>Accounts</u> | <u>Taxes and Related Accrued Interest</u> | <u>Due from other governments</u> | <u>Total</u> |
|---------------------------------|-------------------|---|---|---------------------|
| Governmental Activities: | | | | |
| General | \$ 746,233 | \$ 1,774,836 | \$ 821,913 | \$ 3,342,982 |
| Other Governmental | <u>21,922</u> | <u>5,644</u> | <u>-</u> | <u>27,566</u> |
| Total | 768,155 | 1,780,480 | 821,913 | 3,370,548 |
| Allowance for doubtful accounts | <u>-</u> | <u>(150,000)</u> | <u>-</u> | <u>(150,000)</u> |
| Total-governmental activities | <u>\$ 768,155</u> | <u>\$ 1,630,480</u> | <u>\$ 821,913</u> | <u>\$ 3,220,548</u> |
| Business-type Activities: | | | | |
| Northern Water District | \$ 45,003 | \$ - | \$ - | \$ 45,003 |
| Southern Water District | 142,327 | - | - | 142,327 |
| Sanitation | <u>259,126</u> | <u>-</u> | <u>9,775</u> | <u>268,901</u> |
| Total | <u>446,456</u> | <u>-</u> | <u>9,775</u> | <u>456,231</u> |
| Allowance for doubtful accounts | <u>(70,745)</u> | <u>-</u> | <u>-</u> | <u>(70,745)</u> |
| Total-business-type activities | <u>\$ 375,711</u> | <u>\$ -</u> | <u>\$ 9,775</u> | <u>\$ 385,486</u> |

Due from other governments that is owed to the County consists of the following:

| | |
|--------------------------|-------------------|
| Local option sales tax | \$ 731,954 |
| Sales tax refund | 89,959 |
| Scrap tire tax | 8,088 |
| Solid waste disposal tax | <u>1,687</u> |
| Total | <u>\$ 831,688</u> |

5. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|-------------------|-------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 392,031 | \$ 70,052 | \$ - | \$ 462,083 |
| Construction in progress | <u>405,064</u> | <u>1,017,213</u> | <u>-</u> | <u>1,422,277</u> |
| Total capital assets not being Depreciated | <u>797,095</u> | <u>1,087,265</u> | <u>-</u> | <u>1,884,360</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 5,862,845 | 60,864 | - | 5,923,709 |
| Equipment | 1,712,511 | 459,275 | 294,019 | 1,877,767 |
| Vehicles and motor equipment | <u>1,879,254</u> | <u>85,421</u> | <u>-</u> | <u>1,964,675</u> |
| Total capital assets being Depreciated | <u>9,454,610</u> | <u>605,560</u> | <u>294,019</u> | <u>9,766,151</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,947,158 | 125,515 | - | 3,072,673 |
| Equipment | 1,256,584 | 105,188 | 278,741 | 1,083,031 |
| Vehicles and motor equipment | <u>1,575,112</u> | <u>145,435</u> | <u>-</u> | <u>1,720,547</u> |
| Total accumulated depreciation | <u>5,778,854</u> | <u>\$ 376,138</u> | <u>\$ 278,741</u> | <u>5,876,251</u> |
| Total capital assets being depreciated, net | <u>3,675,756</u> | | | <u>3,889,900</u> |
| Governmental activity capital assets, net | <u>\$ 4,472,851</u> | | | <u>\$ 5,774,260</u> |
| Business-type activities: | | | | |
| Northern Water District | | | | |
| Capital assets being depreciated: | | | | |
| Plant and distribution systems | \$ 4,579,543 | \$ - | \$ - | \$ 4,579,543 |
| Vehicles and motor equipment | <u>23,983</u> | <u>25,067</u> | <u>-</u> | <u>49,050</u> |
| Total capital assets being Depreciated | <u>4,603,526</u> | <u>-</u> | <u>-</u> | <u>4,628,593</u> |
| Less accumulated depreciation for: | | | | |
| Plant and distribution systems | 1,182,299 | 91,591 | - | 1,273,890 |
| Vehicles and motor equipment | <u>13,147</u> | <u>851</u> | <u>-</u> | <u>13,998</u> |
| Total accumulated depreciation | <u>1,195,446</u> | <u>\$ 92,442</u> | <u>\$ -</u> | <u>1,287,888</u> |
| Total capital assets being depreciated, net | <u>3,408,080</u> | | | <u>3,340,705</u> |
| Northern Water District capital assets, net | <u>\$ 3,408,080</u> | | | <u>\$ 3,340,705</u> |
| Southern Water District | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 10,000 | \$ - | \$ - | \$ 10,000 |
| Total capital assets not being Depreciated | <u>10,000</u> | <u>-</u> | <u>-</u> | <u>10,000</u> |
| Capital assets being depreciated: | | | | |
| Plant and distribution systems | 10,213,751 | - | - | 10,213,751 |
| Machinery and equipment | 46,551 | - | - | 46,551 |
| Vehicles and motor equipment | <u>37,955</u> | <u>50,133</u> | <u>-</u> | <u>88,088</u> |
| Total capital assets being Depreciated | <u>10,298,257</u> | <u>50,133</u> | <u>-</u> | <u>10,348,390</u> |

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|-------------------|------------------|----------------------------|
| Less accumulated depreciation for: | | | | |
| Plant and distribution systems | 2,477,330 | 208,648 | - | 2,685,978 |
| Machinery and equipment | 35,713 | 434 | - | 36,147 |
| Vehicles and motor equipment | <u>37,955</u> | <u>835</u> | - | <u>38,790</u> |
| Total accumulated depreciation | <u>2,550,998</u> | <u>\$ 209,917</u> | <u>\$ -</u> | <u>2,760,915</u> |
| Total capital assets being depreciated, net | <u>7,747,259</u> | | | <u>7,587,475</u> |
| Southern Water District capital assets, net | <u>\$ 7,757,259</u> | | | <u>\$ 7,597,475</u> |
| Tunis Sewer District | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 11,271 | \$ - | \$ - | \$ 11,271 |
| Construction in progress | <u>90,827</u> | <u>50,051</u> | <u>-</u> | <u>140,878</u> |
| Total capital assets not being depreciated | <u>102,098</u> | <u>50,051</u> | <u>-</u> | <u>152,149</u> |
| Tunis Sewer District capital assets, net | <u>\$ 102,098</u> | | | <u>\$ 152,149</u> |
| Capital assets not being depreciated: | | | | |
| Sanitation | | | | |
| Land | \$ 23,046 | \$ - | \$ - | \$ 23,046 |
| Total capital assets not being depreciated | <u>23,046</u> | <u>-</u> | <u>-</u> | <u>23,046</u> |
| Capital assets being depreciated: | | | | |
| Plant and distribution systems | 260,154 | 83,568 | 210,672 | 133,050 |
| Machinery and equipment | 156,708 | 188,853 | - | 345,561 |
| Vehicles and motor equipment | <u>97,718</u> | <u>-</u> | <u>-</u> | <u>97,718</u> |
| Total capital assets being depreciated | <u>514,580</u> | <u>272,421</u> | <u>210,672</u> | <u>576,329</u> |
| Less accumulated depreciation for: | | | | |
| Plant and distribution systems | 184,490 | 919 | 135,008 | 50,401 |
| Machinery and equipment | 102,836 | 12,044 | - | 114,880 |
| Vehicles and motor equipment | <u>80,863</u> | <u>3,811</u> | <u>-</u> | <u>84,674</u> |
| Total accumulated depreciation | <u>368,189</u> | <u>16,774</u> | <u>135,008</u> | <u>249,955</u> |
| Total capital assets being depreciated, net | <u>146,391</u> | | | <u>326,374</u> |
| Other business-type capital assets, net | <u>\$ 169,437</u> | | | <u>\$ 349,420</u> |
| Business-type activities capital assets, net | <u>\$ 11,436,874</u> | | | <u>\$ 11,439,749</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|-----------------------------------|-------------------|
| General Government | \$ 64,162 |
| Public Safety | 296,901 |
| Human Services | 10,632 |
| Economic and Physical Development | <u>4,443</u> |
| Total Depreciation Expense | <u>\$ 376,138</u> |

**HERTFORD COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Discretely presented component units

Capital assets at June 30, 2013 for the ABC Board were as follows:

| | |
|---|-------------------|
| Capital assets not being depreciated: | |
| Land | \$ 24,220 |
| Capital assets being depreciated: | |
| Buildings, improvements | 470,497 |
| Furniture and equipment | 106,788 |
| Vehicles | <u>29,801</u> |
| Total capital assets being depreciated | <u>607,086</u> |
| Less accumulated depreciation for: | |
| Buildings, improvements | 116,735 |
| Furniture and equipment | 104,974 |
| Vehicles | <u>29,801</u> |
| Total accumulated depreciation | <u>251,510</u> |
| Total capital assets being depreciated, net | <u>355,576</u> |
| ABC Board capital assets, net | <u>\$ 379,796</u> |

Activity for the Public Health Authority for the year ended June 30, 2013, was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|-------------------------------|------------------|------------------|----------------------------|
| Capital assets being depreciated: | | | | |
| Land improvements | \$ 7,500 | \$ - | \$ - | \$ 7,500 |
| Leasehold improvements | 95,252 | - | - | 95,252 |
| Equipment and furniture | 140,290 | - | 13,451 | 126,839 |
| Vehicles | <u>193,362</u> | <u>-</u> | <u>-</u> | <u>193,362</u> |
| Total Capital Assets being depreciated | <u>436,404</u> | <u>-</u> | <u>13,451</u> | <u>422,953</u> |
| Less accumulated depreciation | | | | |
| Land improvements | 6,500 | 1,000 | - | 7,500 |
| Leasehold improvements | 32,703 | 5,162 | - | 37,865 |
| Equipment and furniture | 112,174 | 14,025 | 13,451 | 112,748 |
| Vehicles | <u>112,056</u> | <u>18,453</u> | <u>-</u> | <u>130,509</u> |
| Total accumulated depreciation | <u>263,433</u> | <u>\$ 38,640</u> | <u>\$ 13,451</u> | <u>288,622</u> |
| Public Health Authority capital assets, net | <u>\$ 172,971</u> | | | <u>\$ 134,331</u> |

b. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2013, were as follows:

| | <u>Vendors</u> | <u>Accrued Interest</u> | <u>Other</u> | <u>Total</u> |
|---------------------------------|-------------------|-----------------------------|--------------|-------------------|
| Governmental Activities: | | | | |
| General | \$ 367,012 | \$ 32,013 | \$ - | \$ 399,025 |
| Hertford County Judicial Center | 256,158 | - | - | 256,158 |
| Other governmental | <u>6,225</u> | <u>-</u> | <u>-</u> | <u>6,225</u> |
| Total-governmental activities | <u>\$ 629,395</u> | <u>\$ 32,013</u> | <u>\$ -</u> | <u>\$ 661,408</u> |

**HERTFORD COUNTY, NORTH CAROLINA
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| | <u>Vendors</u> | <u>Accrued Interest</u> | <u>Other</u> | <u>Total</u> |
|--------------------------------|------------------|-----------------------------|--------------|------------------|
| Business-type Activities: | | | | |
| Northern Water District | \$ 3,251 | \$ 8,958 | \$ - | \$ 12,209 |
| Southern Water District | 832 | 20,100 | - | 20,932 |
| Sanitation | 56,353 | - | - | 56,353 |
| Tunis | - | 1,507 | - | 1,507 |
| Total-business-type activities | <u>\$ 60,436</u> | <u>\$ 30,565</u> | <u>\$ -</u> | <u>\$ 91,001</u> |

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description – Hertford County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. The contribution requirements of members and of Hertford County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$409,919, \$419,162 and \$383,275 respectively. The contributions made by the County equaled the required contributions for each year.

b. Law Enforcement Officer's Special Separation Allowance

1. Plan Description

Hertford County administers a public employee retirement system (*the Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The County chooses to fund this plan on a pay-as-you-go basis. Actuarial valuations are obtained to help the County plan for the future needs of the retirement plan.

All full-time County law enforcement officers are covered by the Separation Allowance. At June 30, 2013, the Separation Allowance's membership consisted of:

**HERTFORD COUNTY, NORTH CAROLINA
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| | |
|--|-----------|
| Retirees receiving benefits | 1 |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | <u>21</u> |
| Total | <u>22</u> |

2. Summary of Significant Accounting Policies:

Basis of Accounting –The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund.

Method Used to Value Investments. No funds are set aside to pay benefits and administration cost. These expenditures are paid as they come due.

3. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by the County or employees. The County’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. No actuarial study has been performed on the law enforcement officers’ special separation allowance.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description – The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy – Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2013 were \$74,276, which consisted of \$43,190 from the County and \$31,086 from the law enforcement officers.

d. Registers of Deeds’ Supplemental Pension Fund

Plan Description – Hertford County also contributes to the Registers of Deeds’ Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds that is retired under the Local Government Employees’ Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy – On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 3 of G.S. 161. Immediately following January 1 of each year, the Department of State

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Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2013, the County's required and actual contributions were \$1,267.

e. Other Postemployment Benefits

Healthcare Benefits

Plan Description –Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (HCB Plan). As of August 1, 2007, this plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least thirty years of creditable service with the County. Prior to August 1, 2007, employees qualified for similar level benefits after at least ten years of creditable service and aged 65 with the County. The County pays the full cost of coverage for these benefits through private insurers. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. The County Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

| | <u>General Employees</u> | <u>Law Enforcement Officers</u> |
|---|------------------------------|-------------------------------------|
| Retirees receiving benefits | 25 | 1 |
| Terminated plan members entitled to but not yet receiving benefits | - | - |
| Active plan members | <u>157</u> | <u>21</u> |
| Total | <u>182</u> | <u>22</u> |

Funding Policy – The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the County Board of Commissioners. The County doesn't offer the option for dependent coverage. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 8.39% of annual covered payroll as of December 31, 2012. For the current year, the County contributed \$149,068 or 2.71% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented 3.06% and 0.71% of covered payroll, respectively. The County's obligation to contribute to HCB Plan is established and may be amended by the County Board of Commissioners.

Summary of Significant Accounting Policies – Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation – The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the

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employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the postemployment healthcare benefits:

| | | |
|--|----|---------------------|
| Annual required contribution | \$ | 572,784 |
| Interest on net OPEB obligation | | 118,395 |
| Adjustment to annual required contribution | | <u>(113,104)</u> |
| Annual OPEB cost (expense) | | 578,075 |
| Contributions made | | <u>149,068</u> |
| Increase (decrease) in net OPEB obligation | | 429,007 |
| Net OPEB obligation, beginning of year | | <u>2,959,874</u> |
| Net OPEB obligation, end of year | | <u>\$ 3,388,881</u> |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2013 were as follows:

| For Year Ended <u>June 30</u> | Annual OPEB <u>Cost</u> | Percentage of Annual OPEB <u>Cost Contributed</u> | Net OPEB <u>Obligation</u> |
|----------------------------------|----------------------------|---|-------------------------------|
| 2013 | \$ 578,075 | 25.8% | \$ 3,388,881 |
| 2012 | 560,639 | 24.9% | 2,959,874 |
| 2011 | \$ 982,239 | 12.6% | \$ 2,538,716 |

Funded Status and Funding Process – As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$5,813,655. The covered payroll (annual payroll of active employees covered by the plan) was \$5,497,375, and the ratio of the UAAL to the covered payroll was 105.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding process, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to

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reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase Pre-Medicare 8.50% - 5.00% percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, in any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, was 30 years.

f. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

g. Hertford County Public Health Authority Pension Plan

Please see the separately issued financial report of Hertford County Public Health Authority for a complete description of the Authority's pension plan.

3. Deferred Outflows and Inflows of Resources

| | <u>Unavailable Revenue</u> | <u>Unearned Revenue</u> |
|---|--------------------------------|-----------------------------|
| Prepaid taxes not yet earned (General) | \$ - | \$ 84,325 |
| Taxes receivable, net (General) | 1,394,128 | - |
| Taxes receivable, net (Special Revenue) | <u>5,644</u> | <u>-</u> |
| Total | <u>\$ 1,399,772</u> | <u>\$ 84,325</u> |

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto

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physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the statutory limits, and health and dental insurance for County employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. For health and dental insurance, the county is reinsured through the Pool for individual losses in excess of \$50,000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through a commercial carrier for individual losses in excess of \$250,000.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The Director of Finance and tax collector are each individually bonded for \$50,000 and \$25,000, respectively. The Register of Deeds and the Sheriff are each bonded for \$5,000.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years. The County has purchased flood insurance.

The Economic Development Commission, the Public Health Authority, and the ABC Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Economic Development commission is covered under Hertford County's insurance policies. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The Public Health Authority carries commercial insurance for all risks of loss. For the ABC Board and Public Health Authority, settled claims have not exceeded coverage in any of the past three fiscal years.

5. Contingent Liabilities

At June 30, 2013, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

6. Operating Lease Commitments

The County leases certain equipment under operating leases that expire over the next four years. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2013:

| <u>For Year Ending June 30</u> | <u>Amount</u> |
|---------------------------------|-------------------|
| 2014 | \$ 176,434 |
| 2015 | 134,960 |
| 2016 | <u>75,416</u> |
| Total minimum payments required | <u>\$ 386,810</u> |

Total rent paid during the fiscal year ended June 30, 2013 was approximately \$68,620.

The Public Health Authority leases facilities with remaining commitments of two years. Total operating lease expense for these facilities during the fiscal year ended June 30, 2013 was \$47,400.

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For the Authority, future minimum rental payments for these facilities as of June 30, 2013 are as follows:

| <u>For Year Ending June 30</u> | <u>Amount</u> |
|--------------------------------|------------------|
| 2014 | \$ 49,500 |
| 2015 | <u>48,775</u> |
| Total | <u>\$ 98,275</u> |

7. Long-Term Obligations

a. Installment Purchases

In October 2006, the County entered into an installment purchase contract to construct an EMS Building. The contract requires fifteen annual principal payments of \$61,667 plus 4.08% interest.

In January 2010, the County entered into an installment purchase contract to purchase ten vehicles. The contract requires four annual payments of \$58,600, which includes interest at 3.11%.

In January 2011, the County entered into an installment purchase contract to purchase a security system. The contract requires four annual payments of \$53,755 plus 3.19% interest.

In May 2011, the County entered into an installment purchase contract to purchase five Dodge Charger police vehicles. The contract requires three annual payments of \$35,317, which includes interest at 2.88%.

The future minimum payments of the installment purchases as of June 30, 2013, including \$114,935 of interest, are as follows:

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> | |
|--------------------------------|--------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 115,421 | \$ 24,359 |
| 2015 | 61,667 | 20,128 |
| 2016 | 61,667 | 17,612 |
| 2017 | 61,667 | 15,096 |
| 2018 | 61,667 | 12,580 |
| 2019-2022 | <u>246,666</u> | <u>25,160</u> |
| Total | <u>\$ 608,755</u> | <u>\$ 114,935</u> |

b. General Obligation Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Hertford County Northern and Southern Water Districts issue general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Northern and Southern Water District Funds, are collateralized by the full faith, credit, and taxing power of the County's water and sewer operations. Principal and interest payments are appropriated when due.

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The County's general obligation bonds payable at June 30, 2013 are comprised of the following individual issues:

Serviced by the County's General Fund:

| | |
|--|----------------------|
| \$1,750,000 2000 Community College Improvement Serial Bonds due in annual installments of \$100,000 beginning February 1, 2003 through February 1, 2017 with the last two installments of \$125,000 each due in 2018 and 2019; interest at 5.3%, which increases to 5.4% in 2017. | \$ 650,000 |
| \$11,945,000 2013 Limited Obligation Bonds due in annual installments of \$525,000 to \$635,000 beginning April 1, 2014 through April 1, 2033; interest varying from 2.0 percent to 5.0 percent. | <u>11,945,000</u> |
| Total | <u>\$ 12,595,000</u> |

Serviced by the County's Southern Water District:

| | |
|---|--------------|
| \$3,474,000 1997 Water Serial Bonds due in annual installments of \$35,000 to \$140,000 through June 1, 2037; interest at 5.0 percent. | \$ 2,785,500 |
| \$1,400,000 1996 Water Serial Bonds due in annual installments of \$25,000 to \$100,000 through June 1, 2016; interest at 5.7 percent. | 225,000 |
| \$1,740,000 2001 Water Serial Bonds due in annual installments of \$18,000 to \$72,000 through June 1, 2041; interest at 4.75 percent. | 1,491,000 |
| \$435,000 2001 Water Serial Bonds due in annual installments of \$4,500 to \$18,000 through June 1, 2041; interest at 4.875 percent. | 375,000 |

Serviced by the County's Northern Water District:

| | |
|---|---------------------|
| \$2,750,000 1997 Water Serial Bonds due in annual installments of \$29,000 to \$116,000 through June 1, 2037; interest at 4.875 percent. | <u>2,205,000</u> |
| Total | <u>\$ 7,081,500</u> |

Annual debt service requirements to maturity for the County's General Fund and Northern and Southern District's general obligation bonds and water bonds are as follows:

| Year Ending June 30 | Governmental Activities | | Business-type Activities | |
|------------------------|-------------------------|---------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2014 | \$ 625,000 | \$ 411,842 | \$ 261,500 | \$ 348,698 |
| 2015 | 625,000 | 410,869 | 269,000 | 335,074 |
| 2016 | 625,000 | 395,069 | 202,500 | 321,082 |
| 2017 | 625,000 | 379,269 | 186,000 | 310,947 |
| 2018 | 625,000 | 358,219 | 196,000 | 301,821 |
| 2019-2023 | 3,135,000 | 1,445,344 | 1,127,500 | 1,355,571 |
| 2024-2028 | 3,175,000 | 824,269 | 1,432,000 | 1,050,483 |
| 2029-2033 | 3,160,000 | 317,062 | 1,665,000 | 671,606 |
| 2034-2038 | - | - | 1,472,000 | 255,380 |
| 2039-2042 | - | - | 270,000 | 25,785 |
| Total | <u>\$12,595,000</u> | <u>\$ 4,607,943</u> | <u>\$ 7,081,500</u> | <u>\$ 4,976,447</u> |

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At June 30, 2013, Hertford County had a legal debt margin of \$99,279,153.

c. Bond Anticipation Notes

The Tunis Sewer District within Hertford County have issued bond anticipation notes, in order to finance various sewer improvements.

Serviced by the County's Tunis Sewer District:

\$307,000 2013 Sanitary Sewer Bond Anticipation Notes due in an annual installment of \$307,000 on February 26, 2014; interest at 2.0 percent.

\$ 307,000

| Year Ending <u>June 30</u> | <u>Business-type Activities</u> | |
|-------------------------------|---------------------------------|-----------------|
| 2014 | <u>Principal</u> | <u>Interest</u> |
| Total | <u>\$ 307,000</u> | <u>\$ 5,526</u> |

c. Long Term Obligation Activity

The following is a summary of changes in the County's long-term debt for the year ended June 30, 2013:

| | <u>Balance July 1, 2012</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2013</u> | <u>Current Portion</u> |
|----------------------------------|---------------------------------|---------------------|-------------------|----------------------------------|----------------------------|
| Governmental Activities: | | | | | |
| General obligation debt | \$ 750,000 | \$11,945,000 | \$ 100,000 | \$12,595,000 | \$ 625,000 |
| Installment purchases | 815,337 | - | 206,582 | 608,755 | 115,421 |
| Compensated absences | 463,000 | 531,429 | 463,000 | 531,429 | 132,857 |
| Other Postemployment Benefits | <u>2,722,283</u> | <u>394,057</u> | <u>-</u> | <u>3,116,340</u> | <u>-</u> |
| Total | <u>\$ 4,750,620</u> | <u>\$12,870,486</u> | <u>\$ 769,582</u> | <u>\$16,851,524</u> | <u>\$ 873,278</u> |
| Business-type Activities: | | | | | |
| General obligation debt | \$ 7,335,000 | \$ - | \$ 253,500 | \$ 7,081,500 | \$ 261,500 |
| BANs | - | 307,000 | - | 307,000 | 307,000 |
| Compensated absences | 18,155 | 22,446 | 18,154 | 22,446 | 5,611 |
| Other Postemployment Benefits | <u>237,591</u> | <u>34,950</u> | <u>-</u> | <u>272,541</u> | <u>-</u> |
| Total | <u>\$ 7,590,746</u> | <u>\$ 364,396</u> | <u>\$ 271,654</u> | <u>\$ 7,683,487</u> | <u>\$ 574,111</u> |

Compensated absences for governmental activities typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

The following is a summary of changes in the Hertford County Public Health Authority's long-term obligations for the fiscal year ended June 30, 2013:

| | <u>Balance July 1, 2012</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2013</u> |
|---------------------------------|---------------------------------|-------------------|-------------------|----------------------------------|
| Governmental activities: | | | | |
| Compensated absences | \$ 132,024 | \$ 134,596 | \$ 132,973 | \$ 133,647 |
| Other postemployment benefits | <u>840,679</u> | <u>325,011</u> | <u>71,416</u> | <u>1,094,274</u> |
| Total | <u>\$ 972,703</u> | <u>\$ 459,607</u> | <u>\$ 204,389</u> | <u>\$ 1,227,921</u> |

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d. Interfund Balances and Activity

| <u>From</u> | <u>To</u> | <u>Amount</u> | <u>Reason</u> |
|---------------------------------------|--------------------------------------|-------------------|--|
| <i>Transfers From/To Other Funds:</i> | | | |
| <u>Special Revenue Funds</u> | | | |
| School Capital Reserve Fund | General Fund | \$ <u>471,922</u> | To provide schools restricted funding |
| <u>General Fund</u> | | | |
| General Fund | School Capital Reserve Fund | \$ 684,577 | To transfer restricted sales tax |
| General Fund | Emergency Telephone System Fund | 594 | To provide local portion of capital outlay |
| General Fund | Revaluation Fund | 40,000 | To contribute money for next revaluation |
| General Fund | EDC Infrastructure Project Fund | 6,203 | To provide county match for grant funds |
| General Fund | Hertford County Judicial Center Fund | 65,000 | To provide funding until debt received |
| General Fund | Capital Reserve Fund | 100,000 | To set money aside for capital purposes |
| General Fund | Tunis Sewer District Fund | 20,000 | To provide funding until debt received |
| General Fund | Sanitation Fund | 3,024 | To provide employee bonuses |
| General Fund | Northern Water District Fund | 2,452 | To provide employee bonuses |
| General Fund | Southern Water District Fund | <u>3,483</u> | To provide employee bonuses |
| | | <u>\$ 925,333</u> | |
| <i>Due From/To Other Funds:</i> | | | |
| <u>Enterprise Fund</u> | | | |
| Northern Water District Fund | General Fund | \$ 132,151 | Loan from startup of water system |
| Southern Water District Fund | General Fund | <u>327,308</u> | Loan from startup of water system |
| | | <u>\$ 459,459</u> | |

e. Fund Balance

The following schedule provided management and citizens with information on the portion of General fund balance that is available for appropriation:

| | |
|--|--------------------|
| Total Fund Balance – General Fund | \$9,453,959 |
| Less : | |
| Stabilization by State Statute | 2,027,605 |
| Register of Deeds | 1,371 |
| Revaluation | 125,407 |
| Capital Reserve | 1,246,342 |
| Appropriated Fund Balance in 2014 budget | 1,353,773 |
| Remaining Fund Balance | 4,699,461 |

IV. Joint Ventures

The County participates in a joint venture to operate Albemarle Regional Library with four other local governments. Each Participating government appoints three board members to the twelve member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2013. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$89,021 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at Winton, NC.

The County, in conjunction with the State of North Carolina and the Hertford County Board of Education, participates in a joint venture to operate the Roanoke Chowan Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the community college's student government serves as an ex-officio nonvoting member

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of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriation for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. Of the last general obligation bond issue for this purpose, \$650,000 in debt is still outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$778,839 to the community college for operating purposes, respectively during the fiscal year ended June 30, 2013. In addition, the County made debt service payments of \$140,000 during the fiscal year on general obligation bonds issued for community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2013. Complete financial statements for the community college may be obtained from the community college's administrative offices.

The County also participates in a joint venture to operate Roanoke Chowan Human Services which serves a four county mental health district. Hertford County appoints seven members to the twenty-four member board of the mental health district. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2013. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$87,187 to the Center to supplement its activities. Complete financial statements for the Center can be obtained from the Center's office at Route 3, Box 22-A, Ahoskie, NC 27910.

The County also participates in a joint venture to operate Choanoke Public Transportation Authority with three other counties. The County appoints two members to the nine member board. The County has an ongoing financial responsibility for the joint venture because the Authority's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2013. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$10,300 to the Authority to supplement its activities. Complete financial statements for the Authority can be obtained from the Authority's office in Rich Square, NC.

The County also participates in a joint venture to operate Tri-County Airport Authority with two other counties. The County appoints three members to the nine member board of the Authority. The County has an ongoing financial responsibility for the joint venture because the Authority's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2013. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$22,168 to the Authority to supplement its activities. Complete financial statements for the Authority can be obtained from the Authority's office at Route 1, Aulander, NC 27805.

V. Jointly Governed Organization

The County, in conjunction with five other counties and thirty-two municipalities, established the Mid-East Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the commission's governing board. The County paid membership fees of \$7,092

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FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

IX. Change in Accounting Principles

The County implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for Other Postemployment Benefits
- Schedule of Employer Contributions for Other Postemployment Benefits
- Notes to Required Schedules for Other Postemployment Benefits

**HERTFORD COUNTY, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Projected Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|--|
| 12/31/2007 | \$ - | \$ 7,969,564 | \$ 7,969,564 | 0.00% | \$ 5,324,929 | 149.70% |
| 12/31/2010 | - | 6,231,017 | 6,231,017 | 0.00% | 5,945,009 | 104.80% |
| 12/31/2012 | \$ - | \$ 5,813,655 | \$ 5,813,655 | 0.00% | \$ 5,497,375 | 105.80% |

**HERTFORD COUNTY, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

| Year Ended June 30 | Annual Required Contribution | Percentage Contributed | Net OPEB Obligation |
|--------------------|---------------------------------|---------------------------|------------------------|
| 2013 | \$ 572,784 | 26.03% | \$ 3,388,881 |
| 2012 | 560,639 | 24.90% | 2,959,874 |
| 2011 | 982,239 | 12.60% | 2,538,716 |
| 2010 | 914,362 | 8.58% | 1,680,390 |
| 2009 | \$ 909,726 | 7.17% | \$ 844,474 |

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as for the latest actuarial valuation follows:

| | |
|-------------------------------|----------------------------|
| Valuation date | 12/31/2012 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay, open |
| Remaining amortization period | 30 years |
| Amortization Factor | 26.1695 |
| Asset valuation method | Market Value of Assets |
| Actuarial assumptions: | |
| Investment rate of return* | 4.00% |
| Medical cost trend rate | |
| Pre-Medicare trend rate | 8.5% - 5.00 % |
| Year of Ultimate trend rate | 2018 |

*Includes inflation at 3.00% percent.

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

MAJOR GOVERNMENTAL FUNDS

- **General Fund:** This fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.
- **School Capital Reserve Fund:** This fund was established in accordance with North Carolina law to account for the accumulation of resources to be used for construction projects of the Board of Education. Funds are periodically transferred to the General Fund and disbursed to the Board of Education for this purpose.
- **Revaluation Fund:** This fund accounts for the accumulation of resources to be used for the octennial revaluation of real property.
- **Capital Reserve Fund:** This fund accounts for the accumulation of resources to be set aside for capital purposes in the future.
- **Hertford County Judicial Center:** This fund is used to account for the judicial center capital project.

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | 2012 | |
|------------------------------------|---------------|---------------|------------------------------------|---------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| <u>REVENUES</u> | | | | |
| Ad Valorem Taxes: | | | | |
| Taxes | | \$ 12,453,706 | | \$ 11,806,771 |
| Penalties and interest | | 185,096 | | 161,784 |
| Total | \$ 12,172,150 | 12,638,802 | \$ 466,652 | 11,968,555 |
| Local Option Sales Taxes: | | | | |
| Article 39 and 44 | | 1,474,736 | | 1,523,542 |
| Article 40 one-half of one percent | | 1,112,470 | | 1,104,203 |
| Article 42 one-half of one percent | | 839,380 | | 852,678 |
| Total | 3,345,000 | 3,426,586 | 81,586 | 3,480,423 |
| Other taxes and licenses: | | | | |
| CATV franchise | | 41,147 | | 44,236 |
| Gas tax refund | | 3,618 | | 4,758 |
| Occupancy tax | | 48,852 | | 52,937 |
| Privilege licenses | | 3,441 | | 3,158 |
| Total | 91,000 | 97,058 | 6,058 | 105,089 |
| Unrestricted intergovernmental: | | | | |
| ABC profit distribution | | 46,045 | | 35,985 |
| Beer and wine tax | | 61,584 | | 67,426 |
| Total | 90,000 | 107,629 | 17,629 | 103,411 |
| Restricted intergovernmental: | | | | |
| Social service grants and fees | | 3,295,118 | | 3,461,698 |
| Federal and State grants | | 1,048,973 | | 1,337,271 |
| Court facility fees | | 51,866 | | 56,045 |
| ABC bottles taxes | | 8,037 | | 7,877 |
| Miscellaneous | | 256,596 | | 272,902 |
| Total | 4,754,777 | 4,660,590 | (94,187) | 5,135,793 |

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | 2012 | |
|----------------------------------|------------|------------|------------------------------------|------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Permits and fees: | | | | |
| Building and inspection fees | | 93,124 | | 111,216 |
| Planning and zoning | | 6,025 | | 1,250 |
| Register of deeds | | 121,185 | | 105,850 |
| Total | 211,700 | 220,334 | 8,634 | 218,316 |
| Sales and services: | | | | |
| Rents, concessions, and fees | | 88,542 | | 117,252 |
| Jail Fees | | 304,499 | | 152,184 |
| Ambulance and rescue squad fees | | 994,643 | | 781,166 |
| EMS medicaid reimbursement | | 161,269 | | 113,191 |
| Internship program | | 5,000 | | - |
| Vehicle tax collection fees | | 81,677 | | 66,381 |
| Total | 1,144,400 | 1,635,630 | 491,230 | 1,230,174 |
| Investment earnings | 15,000 | 9,327 | (5,673) | 15,079 |
| Miscellaneous Revenues | | | | |
| Sale of materials | | 12,700 | | 1,850 |
| Other | | 97,012 | | 124,872 |
| Total | 78,907 | 109,712 | 30,805 | 126,722 |
| Total Revenues | 21,902,934 | 22,905,668 | 1,002,734 | 22,383,562 |
| <u>EXPENDITURES</u> | | | | |
| <u>General Government</u> | | | | |
| Governing Body: | | | | |
| Salaries and employee benefits | | 68,588 | | 66,325 |
| Other operating expenditures | | 27,299 | | 18,242 |
| Total | 96,382 | 95,887 | 495 | 84,567 |
| Administration: | | | | |
| Salaries and employee benefits | | 292,241 | | 290,155 |
| Other operating expenditures | | 25,835 | | 27,576 |
| Total | 345,224 | 318,076 | 27,148 | 317,731 |

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | 2012 | |
|--------------------------------|---------|---------|------------------------------------|---------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Elections: | | | | |
| Salaries and employee benefits | | 96,197 | | 91,758 |
| Other operating expenditures | | 51,888 | | 38,655 |
| Total | 155,500 | 148,085 | 7,415 | 130,413 |
| Finance: | | | | |
| Salaries and employee benefits | | 296,489 | | 271,830 |
| Other operating expenditures | | 75,537 | | 77,433 |
| Capital outlay | | 6,563 | | - |
| Total | 395,274 | 378,589 | 16,685 | 349,263 |
| Taxes: | | | | |
| Salaries and employee benefits | | 397,540 | | 384,395 |
| Other operating expenditures | | 140,667 | | 131,350 |
| Total | 578,661 | 538,207 | 40,454 | 515,745 |
| Legal: | | | | |
| Contracted services | 65,000 | 55,614 | 9,386 | 64,225 |
| Register of Deeds: | | | | |
| Salaries and employee benefits | | 144,038 | | 134,117 |
| Other operating expenditures | | 32,490 | | 24,126 |
| Total | 178,962 | 176,528 | 2,434 | 158,243 |
| Public Buildings: | | | | |
| Salaries and employee benefits | | 305,106 | | 257,332 |
| Other operating expenditures | | 277,545 | | 216,044 |
| Capital outlay | | 60,864 | | - |
| Total | 696,811 | 643,515 | 53,296 | 473,376 |

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | 2012 | |
|-----------------------------------|-----------|-----------|------------------------------------|-----------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Land Records: | | | | |
| Salaries and employee benefits | | 92,304 | | 91,398 |
| Other operating expenditures | | 26,716 | | 22,472 |
| Total | 122,337 | 119,020 | 3,317 | 113,870 |
| Data Center: | | | | |
| Data processing contract services | | 179,074 | | 172,186 |
| Total | 179,074 | 179,074 | - | 172,186 |
| Court Facilities: | | | | |
| Operating expenditures | | 64,636 | | 65,599 |
| Total | 70,482 | 64,636 | 5,846 | 65,599 |
| Central Services: | | | | |
| Operating expenditures | | 412,886 | | 372,342 |
| Capital outlay | | 422,584 | | 83,386 |
| Total | 880,775 | 835,470 | 45,305 | 455,728 |
| Total General Government | 3,764,482 | 3,552,701 | 211,781 | 2,900,946 |
| <u>Public Safety</u> | | | | |
| Sheriff: | | | | |
| Salaries and employee benefits | | 1,407,726 | | 1,327,590 |
| Other operating expenditures | | 364,762 | | 358,644 |
| Capital outlay | | 85,421 | | - |
| Total | 1,882,755 | 1,857,909 | 24,846 | 1,686,234 |
| Jail: | | | | |
| Salaries and employee benefits | | 1,246,621 | | 1,193,287 |
| Other operating expenditures | | 650,760 | | 541,363 |
| Total | 2,020,213 | 1,897,381 | 122,832 | 1,734,650 |

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | 2012 | |
|--------------------------------------|-----------|-----------|------------------------------------|-----------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Emergency communications: | | | | |
| Salaries and employee benefits | | 178,241 | | 165,136 |
| Other operating expenditures | | 54,428 | | 27,608 |
| Total | 230,714 | 232,669 | (1,955) | 192,744 |
| Emergency management: | | | | |
| Salaries and employee benefits | | 120,552 | | 105,939 |
| Other operating expenditures | | 97,134 | | 58,278 |
| Capital outlay | | - | | 26,200 |
| Total | 240,063 | 217,686 | 22,377 | 190,417 |
| Fire: | | | | |
| Contribution to forest service | | 69,075 | | 71,284 |
| Assistance to local fire departments | | 269,560 | | 277,293 |
| Total | 358,148 | 338,635 | 19,513 | 348,577 |
| Inspections: | | | | |
| Salaries and employee benefits | | 112,230 | | 104,742 |
| Other Operating expenditures | | 22,547 | | 15,586 |
| Total | 148,022 | 134,777 | 13,245 | 120,328 |
| Rescue units: | | | | |
| Salaries and employee benefits | | 833,472 | | 798,833 |
| Other operating expenditures | | 259,048 | | 203,881 |
| Total | 1,286,255 | 1,092,520 | 193,735 | 1,002,714 |
| Animal Control: | | | | |
| Salaries and employee benefits | | 57,418 | | 64,868 |
| Other operating expenditures | | 24,914 | | 18,687 |
| Capital outlay | | - | | 26,857 |
| Total | 95,144 | 82,332 | 12,812 | 110,412 |

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | Variance Positive (Negative) | 2012 |
|--|-----------|-----------|------------------------------------|-----------|
| | Budget | Actual | | Actual |
| Medical examiner: | | | | |
| Contracted services | | 9,600 | | 11,700 |
| Total | 12,000 | 9,600 | 2,400 | 11,700 |
| Total Public Safety | 6,273,314 | 5,863,509 | 409,805 | 5,397,776 |
| <u>Transportation</u> | | | | |
| Contribution to transit authority | | 10,300 | | 10,300 |
| Contribution to regional airport | | 22,168 | | 22,167 |
| Total transportation | 32,468 | 32,468 | - | 32,467 |
| <u>Economic and physical development</u> | | | | |
| Planning and zoning | | | | |
| Other operating expenditures | | 2,175 | | 2,658 |
| Total | 3,940 | 2,175 | 1,765 | 2,658 |
| Economic Development: | | | | |
| Salaries and employee benefits | | 126,423 | | 117,206 |
| Other operating expenditures | | 13,000 | | 13,000 |
| Total | 139,411 | 139,423 | (12) | 130,206 |
| Agricultural extension: | | | | |
| Salaries and employee benefits | | 93,442 | | 115,046 |
| Other operating expenditures | | 32,634 | | 40,830 |
| Total | 174,413 | 126,076 | 48,337 | 155,876 |

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | Variance Positive (Negative) | 2012 |
|---|-----------|-----------|------------------------------------|-----------|
| | Budget | Actual | | Actual |
| Soil and water conservation: | | | | |
| Salaries and employee benefits | | 106,851 | | 101,667 |
| Other operating expenditures | | 9,107 | | 9,840 |
| Total | 135,980 | 115,958 | 20,022 | 111,507 |
| Total Economic and Physical Development | 453,744 | 383,632 | 70,112 | 400,247 |
| <u>Human Services</u> | | | | |
| Health: | | | | |
| Administration: | | | | |
| Contribution to health department | | 230,250 | | 230,250 |
| Other operating expenditures | | 21,268 | | 27,907 |
| Total | 261,480 | 251,518 | 9,962 | 258,157 |
| Aid to aging: | | | | |
| Salaries and employee benefits | | 286,277 | | 279,168 |
| Other operating expenditures | | 40,626 | | 47,712 |
| Total | 336,614 | 326,903 | 9,711 | 326,880 |
| Respite: | | | | |
| Other operating expenditures | | 293,678 | | 282,665 |
| Total | 288,909 | 293,678 | (4,769) | 282,665 |
| Mental Health: | | | | |
| Administration: | | | | |
| Other operating expenditures | | 87,187 | | 85,008 |
| Total | 85,800 | 87,187 | (1,387) | 85,008 |
| Social Services: | | | | |
| Administration: | | | | |
| Salaries and employee benefits | | 2,623,115 | | 2,644,855 |
| Other operating expenditures | | 1,055,161 | | 1,127,128 |
| Total | 3,848,467 | 3,678,276 | 170,191 | 3,771,983 |

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | Variance Positive (Negative) | 2012 |
|------------------------------------|-----------|-----------|------------------------------------|-----------|
| | Budget | Actual | | Actual |
| Public Assistance | | | | |
| Food stamp program: | | | | |
| Operating expenditures | | - | | 1,836 |
| Work first: | | | | |
| Operating expenditures | | 1,599,681 | | 1,623,228 |
| Foster care: | | | | |
| Operating expenditures | | 32,733 | | 29,829 |
| Total | 1,644,927 | 1,632,414 | 12,513 | 1,654,893 |
| Elderly handicapped: | | | | |
| Operating expenditures | 133,489 | 104,016 | 29,473 | 108,858 |
| CJPP day reporting | | | | |
| Salaries and employee benefits | | 4,463 | | 49,046 |
| Other operating expenditures | | 118 | | 32,333 |
| Total | 4,581 | 4,581 | - | 81,379 |
| Community based alternatives: | | | | |
| Other operating expenditures | | 116,691 | | 200,650 |
| Total | 116,691 | 116,691 | - | 200,650 |
| Veterans service office: | | | | |
| Salaries and employee benefits | | 27,440 | | 52,595 |
| Other operating expenditures | | 2,324 | | 2,129 |
| Total | 49,656 | 29,764 | 19,892 | 54,724 |
| Other programs: | | | | |
| Other appropriations/contributions | | 227,471 | | 134,251 |
| Total | 249,192 | 227,471 | 21,721 | 134,251 |
| Total Human Services | 7,019,806 | 6,752,499 | 267,307 | 6,959,448 |

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | Variance Positive (Negative) | 2012 |
|------------------------------------|-------------|------------|------------------------------------|------------|
| | Budget | Actual | | Actual |
| <u>Cultural and Recreational</u> | | | | |
| Library and recreation: | | | | |
| Operating expenditures | | 2,800 | | 2,695 |
| Contribution to regional library | | 89,021 | | 88,516 |
| Total Cultural and Recreational | 91,821 | 91,821 | - | 91,211 |
| Education: | | | | |
| Public schools-current expense | | 4,173,524 | | 4,173,524 |
| Public schools-capital outlay | | 471,922 | | 996,962 |
| Community college- current | | 778,839 | | 803,839 |
| Total Education | 5,424,285 | 5,424,285 | - | 5,974,325 |
| Debt Service: | | | | |
| Principal retirement | | 161,667 | | 161,667 |
| Interest and other charges | | 65,750 | | 72,976 |
| Total debt services | 227,417 | 227,417 | - | 234,643 |
| Contingency | 40,711 | - | - | - |
| Total Expenditures | 23,328,048 | 22,328,332 | 999,716 | 21,991,063 |
| Revenues Over (Under) Expenditures | (1,425,114) | 577,336 | 2,002,450 | 392,499 |

**HERTFORD COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | Variance Positive (Negative) | 2012 |
|--|--------------------|---------------------|------------------------------------|---------------------|
| | Budget | Actual | | Actual |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers to other funds: | | | | |
| School Capital Reserve Fund | | (684,577) | | (896,962) |
| Emergency Telephone System Fund | | (594) | | (286,456) |
| Revaluation Fund | | (40,000) | | - |
| EDC Infrastructure Project Fund | | (6,203) | | (12,052) |
| Hertford County Judicial Center Fund | | (65,000) | | (94,095) |
| Parks and Recreation Project Fund | | - | | (724) |
| Capital Reserve Fund | | (100,000) | | - |
| Tunis Project Fund | | (20,000) | | (98,204) |
| Sanitation Fund | | (3,024) | | (1,948) |
| Northern Water District Fund | | (2,452) | | (795) |
| Southern Water District Fund | | (3,483) | | (1,147) |
| Total | <u>(1,077,256)</u> | <u>(925,333)</u> | <u>151,923</u> | <u>(1,392,383)</u> |
| Transfers from other funds: | | | | |
| School Capital Reserve Fund | | 471,922 | | 896,962 |
| Total | <u>484,879</u> | <u>471,922</u> | <u>(12,957)</u> | <u>896,962</u> |
| Proceeds from debt | 50,000 | - | (50,000) | - |
| Appropriated fund balance | 1,967,491 | - | (1,967,491) | - |
| Total other financing sources (uses) | <u>1,425,114</u> | <u>(453,411)</u> | <u>(1,878,525)</u> | <u>(495,421)</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>\$ -</u> | <u>123,925</u> | <u>\$ 123,925</u> | <u>(102,922)</u> |
| Fund Balance-July 1 | | <u>7,958,285</u> | | <u>8,061,207</u> |
| Fund Balance-June 30 | | <u>\$ 8,082,210</u> | | <u>\$ 7,958,285</u> |

**HERTFORD COUNTY, NORTH CAROLINA
SCHOOL CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | Variance Positive (Negative) | 2012 |
|---|-----------|------------|------------------------------------|-----------|
| | Budget | Actual | | Actual |
| <u>REVENUES</u> | | | | |
| Restricted intergovernmental | \$ - | \$ - | \$ - | \$ - |
| <u>EXPENDITURES</u> | | | | |
| Education | | | | |
| Capital outlay | - | - | - | - |
| Revenues Over (Under) Expenditures | - | - | - | - |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Operating transfer in | | | | |
| General fund | 825,000 | 684,577 | (140,423) | 896,962 |
| Operating transfer out | | | | |
| General fund | (825,000) | (471,922) | 353,078 | (896,962) |
| Total | - | 212,655 | 212,655 | - |
| Revenues over expenditures and other uses | \$ - | 212,655 | \$ 212,655 | - |
| Fund Balance - July 1 | | - | | - |
| Fund Balance - June 30 | | \$ 212,655 | | \$ - |

**HERTFORD COUNTY, NORTH CAROLINA
REVALUATION FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | Variance Positive (Negative) | 2012 |
|---|-----------------|------------|------------------------------------|-----------|
| | Final Budget | Actual | | Actual |
| <u>REVENUES</u> | | | | |
| Investment earnings | \$ - | \$ - | \$ - | \$ - |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| General government | | | | |
| Tax listings: | 40,000 | - | 40,000 | - |
| Revenues Over (Under) Expenditures | (40,000) | - | 40,000 | - |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfer from (to) other funds | | | | |
| General Fund | 40,000 | 40,000 | - | - |
| Total | 40,000 | 40,000 | - | - |
| Excess of Revenues and Other Sources Over (Under) Expenditures | \$ - | 40,000 | \$ 40,000 | - |
| Fund Balance - July 1 | | 85,407 | | 85,407 |
| Fund Balance - June 30 | | \$ 125,407 | | \$ 85,407 |

**HERTFORD COUNTY, NORTH CAROLINA
CAPITAL RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | Variance Positive (Negative) | 2012 |
|---|-----------------|--------------|------------------------------------|------------|
| | Final Budget | Actual | | Actual |
| <u>REVENUES</u> | | | | |
| Local option sales tax | \$ 450,000 | \$ 471,668 | \$ 21,668 | \$ 462,019 |
| <u>EXPENDITURES</u> | | | | |
| Capital outlay | 550,000 | - | 550,000 | - |
| Revenues Over (Under) Expenditures | (100,000) | 471,668 | 571,668 | 462,019 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfer from (to) other funds | | | | |
| General Fund | 100,000 | 100,000 | - | - |
| Appropriated fund balance | - | - | - | - |
| Total | 100,000 | 100,000 | - | - |
| Excess of Revenues and Other Sources Over (Under) Expenditures | \$ - | 571,668 | \$ 571,668 | 462,019 |
| Fund Balance - July 1 | | 462,019 | | - |
| Fund Balance - June 30 | | \$ 1,033,687 | | \$ 462,019 |

HERTFORD COUNTY, NORTH CAROLINA
HERTFORD COUNTY JUDICIAL CENTER
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|---|--------------------------|---------------------|----------------------|----------------------|------------------------------------|
| | | Prior Year | Current Year | Total to Date | |
| REVENUES | | | | | |
| Restricted intergovernmental revenue | | | | | |
| Investment earnings | \$ 1,400 | \$ - | \$ 1,480 | \$ 1,480 | \$ 80 |
| Total | <u>1,400</u> | <u>-</u> | <u>1,480</u> | <u>1,480</u> | <u>80</u> |
| EXPENDITURES | | | | | |
| Capital outlay | | | | | |
| Construction Cost | 9,983,476 | - | 690,964 | 690,964 | 9,292,512 |
| Furnishing and Equipment | 666,738 | - | - | - | 666,738 |
| Design Fees & Expense | 850,306 | 405,365 | 306,203 | 711,568 | 138,738 |
| Geotechnical Survey | 65,221 | - | 1,650 | 1,650 | 63,571 |
| Materials/Testing/Special Inspection | 155,744 | - | 18,396 | 18,396 | 137,348 |
| Contingency | 359,345 | 250 | - | 250 | 359,095 |
| Fund Reserve | 65,000 | - | - | - | 65,000 |
| Land | 71,400 | - | 70,052 | 70,052 | 1,348 |
| Total | <u>12,217,230</u> | <u>405,615</u> | <u>1,087,265</u> | <u>1,492,880</u> | <u>10,724,350</u> |
| Debt Service | | | | | |
| Bond Issuance Costs | 290,000 | - | 338,045 | 338,045 | (48,045) |
| Total | <u>12,507,230</u> | <u>405,615</u> | <u>1,425,310</u> | <u>1,830,925</u> | <u>10,676,305</u> |
| Revenues Over (Under) Expenditures | <u>(12,505,830)</u> | <u>(405,615)</u> | <u>(1,423,830)</u> | <u>(1,829,445)</u> | <u>10,676,385</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer from the General Fund | 65,000 | 94,095 | 65,000 | 159,095 | 94,095 |
| Debt Proceeds | 11,944,998 | - | 11,945,000 | 11,945,000 | 2 |
| Premium on Debt Proceeds | 495,832 | - | 495,832 | 495,832 | - |
| Total | <u>12,505,830</u> | <u>94,095</u> | <u>12,505,832</u> | <u>12,599,927</u> | <u>94,097</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures | <u>\$ -</u> | <u>\$ (311,520)</u> | <u>11,082,002</u> | <u>\$ 10,770,482</u> | <u>\$ 10,770,482</u> |
| Fund Balance - July 1 | | | <u>(311,520)</u> | | |
| Fund Balance - June 30 | | | <u>\$ 10,770,482</u> | | |

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specific purposes.

- **Emergency Telephone System Fund:** This fund was established in accordance with North Carolina law to account for the accumulation of telephone surcharges to be used for emergency telephone systems.
- **Fire District Fund:** This fund accounts for the ad valorem tax levies of the two fire districts in Hertford County.
- **Scattered Site CDBG Fund:** This fund is used to account for community development block grant capital project programs. The projects will be financed primarily with federal and State grants.
- **EDC Infrastructure Project Fund:** This fund is used to account for EDC infrastructure grants. The projects will be financed primarily with federal and State grants.

**HERTFORD COUNTY, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

EXHIBIT C-1

| | Special Revenue Funds | | | | Total Nonmajor Governmental Funds |
|--|--|--------------------------|-----------------------------------|--|---|
| | Emergency Telephone System Fund | Fire District Fund | Scattered Site CDBG Fund | EDC Infrastructure Project Fund | |
| <u>ASSETS</u> | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 366,220 | \$ 50,216 | \$ - | \$ - | \$ 416,436 |
| Accounts receivable, net | 17,308 | 4,614 | - | - | 21,922 |
| Taxes receivable, net | - | 5,644 | - | - | 5,644 |
| Total assets | \$ 383,528 | \$ 60,474 | \$ - | \$ - | \$ 444,002 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 6,225 | \$ - | \$ - | \$ 6,225 |
| Total liabilities | - | 6,225 | - | - | 6,225 |
| Deferred Inflows or Resources | - | 5,644 | - | - | 5,644 |
| Fund Balances: | | | | | |
| Restricted | | | | | |
| Stabilization by State Statue | 17,308 | 4,614 | - | - | 21,922 |
| Public Safety | 366,220 | 43,991 | - | - | 410,211 |
| Total fund balances | 383,528 | 48,605 | - | - | 432,133 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 383,528 | \$ 60,474 | \$ - | \$ - | \$ 444,002 |

HERTFORD COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Special Revenue Funds | | | | Total Nonmajor Governmental Funds |
|--|--|--------------------------|-----------------------------------|--|---|
| | Emergency Telephone System Fund | Fire District Fund | Scattered Site CDBG Fund | EDC Infrastructure Project Fund | |
| REVENUES | | | | | |
| Ad valorem taxes | \$ - | \$ 88,725 | \$ - | \$ - | \$ 88,725 |
| Local option sales taxes | - | 24,947 | - | - | 24,947 |
| Restricted intergovernmental | 103,850 | - | 196,674 | 370,668 | 671,192 |
| Investment earnings | 173 | - | - | - | 173 |
| Total Revenues | <u>104,023</u> | <u>113,672</u> | <u>196,674</u> | <u>370,668</u> | <u>785,037</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public safety | 73,188 | 110,871 | - | - | 184,059 |
| Economic development | - | - | 196,674 | 388,923 | 585,597 |
| Total expenditures | <u>73,188</u> | <u>110,871</u> | <u>196,674</u> | <u>388,923</u> | <u>769,656</u> |
| Revenues Over (Under) | | | | | |
| Expenditures | 30,835 | 2,801 | - | (18,255) | 15,381 |
| OTHER FINANCING SOURCES | | | | | |
| (USES) | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 594 | - | - | 6,203 | 6,797 |
| Total Other Financing Sources (Uses) - Net | <u>594</u> | <u>-</u> | <u>-</u> | <u>6,203</u> | <u>6,797</u> |
| Excess of Revenues and Other Sources Over (Under) | | | | | |
| Expenditures and Other Uses | 31,429 | 2,801 | - | (12,052) | 22,178 |
| Fund Balance - July 1 | <u>352,099</u> | <u>45,804</u> | <u>-</u> | <u>12,052</u> | <u>409,955</u> |
| Fund Balance - June 30 | <u>\$ 383,528</u> | <u>\$ 48,605</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 432,133</u> |

**HERTFORD COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | Variance Positive (Negative) | 2012 |
|---|-----------------|------------|------------------------------------|------------|
| | Final Budget | Actual | | Actual |
| <u>REVENUES</u> | | | | |
| Restricted intergovernmental revenue | | | | |
| Wireless 911 funds | | \$ 103,850 | | \$ 114,696 |
| Investment earnings | | 173 | | 296 |
| Total | \$ 104,190 | 104,023 | \$ (167) | 114,992 |
| <u>EXPENDITURES</u> | | | | |
| Public safety | 104,784 | 73,188 | 31,596 | 512,894 |
| Revenues Over (Under) Expenditures | (594) | 30,835 | 31,429 | (397,902) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Operating transfer in General Fund | 594 | 594 | - | 286,456 |
| Total Other Financing Sources (Uses) | 594 | 594 | - | 286,456 |
| Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | \$ - | 31,429 | \$ 31,429 | (111,446) |
| Fund Balance - July 1 | | 352,099 | | 463,545 |
| Fund Balance - June 30 | | \$ 383,528 | | \$ 352,099 |

Explanation for transfers

Transfer in of \$594 from General Fund to E911:
\$ 594 Difference in beginning balance in fund and on E911 report filed

Emergency Telephone System Unspent Balance

Amounts reported above are different from the PSAP Revenue-Expenditure Report because:

| | |
|---|------------|
| Net Change in Fund Balance, reported on Budget to Actual | \$ 31,429 |
| Less: Transfers from General Fund to adjust fund balance to the proper beginning balance | (594) |
| Net Change per PSAP Revenue-Expenditure Report | 30,835 |
| Beginning Balance, PSAP Revenue-Expenditure Report | 352,693 |
| Ending Balance, PSAP Revenue-Expenditure Report | \$ 383,528 |

**HERTFORD COUNTY, NORTH CAROLINA
FIRE DISTRICT FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | Variance Positive (Negative) | 2012 |
|------------------------------------|-----------|-----------|------------------------------------|-----------|
| | Budget | Actual | | Actual |
| <u>REVENUES</u> | | | | |
| Ad Valorem taxes: | | | | |
| Taxes | \$ 87,760 | \$ 88,725 | \$ 965 | \$ 86,539 |
| Other taxes and licenses | 24,835 | 24,947 | 112 | 25,402 |
| Total revenues | 112,595 | 113,672 | 1,077 | 111,941 |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| Public safety | | | | |
| Woodland Fire District | | 3,041 | | 4,045 |
| Union Fire District | | 8,053 | | 8,124 |
| Ahoskie Fire District | | 99,777 | | 99,390 |
| Total expenditures | 112,595 | 110,871 | 1,724 | 111,559 |
| Revenues Over (Under) Expenditures | \$ - | 2,801 | \$ 2,801 | 382 |
| Fund Balance - July 1 | | 45,804 | | 45,422 |
| Fund Balance - June 30 | | \$ 48,605 | | \$ 45,804 |

HERTFORD COUNTY, NORTH CAROLINA
SCATTERED SITE CDBG CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|--------------------------------------|--------------------------|---------------|-----------------|------------------|------------------------------------|
| | | Prior Year | Current Year | Total to Date | |
| REVENUES | | | | | |
| Restricted intergovernmental revenue | | | | | |
| Community development block grant | \$ 400,000 | \$ 203,326 | \$ 196,674 | \$ 400,000 | \$ - |
| EXPENDITURES | | | | | |
| Capital outlay | | | | | |
| Construction Cost | | 145,030 | 171,487 | 316,517 | |
| Project Administration | | 22,256 | 10,071 | 32,327 | |
| Planning | | 6,944 | 56 | 7,000 | |
| Clearance Activities | | 29,096 | 15,060 | 44,156 | |
| Total | 400,000 | 203,326 | 196,674 | 400,000 | - |
| Revenues Over (Under) Expenditures | \$ - | \$ - | - | \$ - | \$ - |
| Fund Balance, July 1 | | | - | | |
| Fund Balance, June 30 | | | \$ - | | |

**HERTFORD COUNTY, NORTH CAROLINA
EDC INFRASTRUCTURE PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|---|--------------------------|---------------|-----------------|--------------------|------------------------------------|
| | | Prior Year | Current Year | Total to Date | |
| REVENUES | | | | | |
| Restricted intergovernmental revenue | | | | | |
| Rural Economic Development grant | \$ 370,668 | \$ - | \$ 370,668 | \$ 370,668 | \$ - |
| Total | <u>370,668</u> | <u>-</u> | <u>370,668</u> | <u>370,668</u> | <u>-</u> |
| EXPENDITURES | | | | | |
| Economic development | | | | | |
| Contracted services | - | - | - | - | - |
| Metal Tech Reimbursement | 5,000 | - | 5,000 | 5,000 | - |
| Enviva Reimbursement | 138,450 | - | 138,450 | 138,450 | - |
| RCC Health Center | 41,520 | - | 41,520 | 41,520 | - |
| Alfiniti Logistics Reimbursement | 203,953 | - | 203,953 | 203,953 | - |
| Total | <u>388,923</u> | <u>-</u> | <u>388,923</u> | <u>388,923</u> | <u>-</u> |
| Revenues Over (Under) Expenditures | <u>(18,255)</u> | <u>-</u> | <u>(18,255)</u> | <u>(18,255)</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Appropriated Fund Balance | 12,052 | - | - | - | 12,052 |
| Transfer from General Fund | 6,203 | - | 6,203 | 6,203 | - |
| Total | <u>18,255</u> | <u>-</u> | <u>6,203</u> | <u>6,203</u> | <u>12,052</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>(12,052)</u> | <u>\$ (12,052)</u> | <u>\$ 12,052</u> |
| Fund Balance - July 1 | | | <u>12,052</u> | | |
| Fund Balance - June 30 | | | <u>\$ -</u> | | |

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's council is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; where the government's council has decided that the periodic determination of net income is appropriate for accountability purposes.

Major Enterprise Funds

- **Northern Water District Fund:** This fund accounts for the activities of the County's Northern Water District.
- **Southern Water District Fund:** This fund accounts for the activities of the County's Southern Water District.

Non-major Enterprise Funds

- **Tunis Sewer District Fund:** This fund accounts for the activities of the County's Tunis Sewer District, including the associated Capital Project Fund that is used to record Capital expenditures for this District.
- **Sanitation Fund:** This fund accounts for the operation, maintenance and development of various refuse disposal sites.

HERTFORD COUNTY, NORTH CAROLINA
NORTHERN WATER DISTRICT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | 2013 | | Variance Positive (Negative) | 2012 |
|--|----------------|------------------|------------------------------------|-------------------|
| | Budget | Actual | | Actual |
| REVENUES | | | | |
| Operating Revenues | | | | |
| Charges for services | \$ 450,110 | \$ 436,138 | \$ (13,972) | \$ 437,027 |
| Tap-on fees | 20,000 | 22,600 | 2,600 | 19,750 |
| Other | 4,780 | 4,878 | 98 | 7,076 |
| Total Operating Revenues | <u>474,890</u> | <u>463,616</u> | <u>(11,274)</u> | <u>463,853</u> |
| Total Revenues | <u>474,890</u> | <u>463,616</u> | <u>(11,274)</u> | <u>463,853</u> |
| EXPENDITURES | | | | |
| Administration and operations | | 218,829 | | 200,047 |
| Capital Outlay | | 25,067 | | - |
| Debt Service: | | | | |
| Interest and fees | | 110,029 | | 112,442 |
| Debt principal | | 52,000 | | 49,500 |
| Total Expenditures | <u>477,342</u> | <u>405,925</u> | <u>71,417</u> | <u>361,989</u> |
| Revenues Over (Under) Expenditures | <u>(2,452)</u> | <u>57,691</u> | <u>60,143</u> | <u>101,864</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from (to) other funds | | | | |
| General Fund | 2,452 | 2,452 | - | 795 |
| Total Other Financing Sources (Uses) | <u>2,452</u> | <u>2,452</u> | <u>-</u> | <u>795</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>\$ -</u> | <u>\$ 60,143</u> | <u>\$ 60,143</u> | <u>\$ 102,659</u> |
| RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL | | | | |
| Excess of revenues over (under) expenditures | | \$ 60,143 | | \$ 102,659 |
| Debt principal | | 52,000 | | 49,500 |
| Depreciation | | (92,442) | | (92,843) |
| Capital outlay | | 25,067 | | - |
| (Increase) decrease in bond interest accrued | | 211 | | 201 |
| (Increase) decrease in vacation pay | | (1,811) | | 1,237 |
| (Increase) decrease in OPEB obligation | | (6,052) | | (5,876) |
| Total reconciling items | | <u>(23,027)</u> | | <u>(47,781)</u> |
| Change in net position | | <u>\$ 37,116</u> | | <u>\$ 54,878</u> |

HERTFORD COUNTY, NORTH CAROLINA
SOUTHERN WATER DISTRICT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | 2013 | | Variance Positive (Negative) | 2012 |
|--|------------------|-------------------|------------------------------------|-------------------|
| | Budget | Actual | | Actual |
| REVENUES | | | | |
| Operating Revenues | | | | |
| Charges for services | \$ 1,010,150 | \$ 946,822 | \$ (63,328) | \$ 961,707 |
| Tap-on fees | 48,300 | 57,226 | 8,926 | 51,453 |
| Other | 6,050 | 22,814 | 16,764 | 33,277 |
| Total Operating Revenues | <u>1,064,500</u> | <u>1,026,862</u> | <u>(54,402)</u> | <u>1,046,437</u> |
| Nonoperating Revenues | | | | |
| Sale of System - Ahoskie | - | - | - | - |
| Interest Earnings | - | - | - | - |
| Total Nonoperating Revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Revenues | <u>1,064,500</u> | <u>1,026,862</u> | <u>(54,402)</u> | <u>1,046,437</u> |
| EXPENDITURES | | | | |
| Administration and operations | | 318,587 | | 278,019 |
| Capital Outlay | | 50,133 | | - |
| Debt Service: | | | | |
| Interest and fees | | 251,900 | | 262,375 |
| Debt principal | | 201,500 | | 197,000 |
| Total Expenditures | <u>1,067,983</u> | <u>822,120</u> | <u>245,863</u> | <u>737,394</u> |
| Revenues Over (Under) Expenditures | <u>(3,483)</u> | <u>204,742</u> | <u>208,225</u> | <u>309,043</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from (to) other funds | | | | |
| General Fund | 3,483 | 3,483 | - | 1,147 |
| Total Other Financing Sources (Uses) | <u>3,483</u> | <u>3,483</u> | <u>-</u> | <u>1,147</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>\$ -</u> | <u>\$ 208,225</u> | <u>\$ 208,225</u> | <u>\$ 310,190</u> |
| RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL | | | | |
| Excess of revenues over (under) expenditures | | \$ 208,225 | | \$ 310,190 |
| Debt principal | | 201,500 | | 197,000 |
| Debt issued | | - | | - |
| Depreciation | | (209,917) | | (209,900) |
| Capital outlay | | 50,133 | | - |
| Book value of assets sold | | - | | - |
| (Increase) decrease in bond interest accrued | | 891 | | 873 |
| (Increase) decrease in vacation pay | | 1,076 | | (781) |
| (Increase) decrease in OPEB obligation | | (8,915) | | (8,932) |
| Total reconciling items | | <u>34,768</u> | | <u>(21,740)</u> |
| Change in net position | | <u>\$ 242,993</u> | | <u>\$ 288,450</u> |

HERTFORD COUNTY, NORTH CAROLINA
TUNIS SEWER DISTRICT CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|---|--------------------------|-----------------|-------------------|-------------------|------------------------------------|
| | | Prior Year | Current Year | Total to Date | |
| REVENUES | | | | | |
| Restricted intergovernmental revenue | | | | | |
| North Carolina Rural Center grant | \$ 573,937 | \$ - | \$ - | \$ - | \$ (573,937) |
| Tap on fees | 4,600 | 12,600 | 400 | 13,000 | 8,400 |
| Total | <u>578,537</u> | <u>12,600</u> | <u>400</u> | <u>13,000</u> | <u>(565,537)</u> |
| EXPENDITURES | | | | | |
| Capital outlay | | | | | |
| Contingency | 83,022 | 705 | (705) | - | 83,022 |
| Administrative Cost | 128,224 | - | 44,012 | 44,012 | 84,212 |
| Capitalized Interest | 21,000 | - | 306 | 306 | 20,694 |
| Capital outlay-land | 4,526 | 11,271 | (11,271) | - | 4,526 |
| Contract services-construction | 1,660,439 | - | - | - | 1,660,439 |
| Contract services-engineering | 243,326 | 90,827 | 17,709 | 108,536 | 134,790 |
| Fund reserve | 20,000 | - | - | - | 20,000 |
| Total | <u>2,160,537</u> | <u>102,803</u> | <u>50,051</u> | <u>152,854</u> | <u>2,007,683</u> |
| Revenues Over (Under) Expenditures | <u>(1,582,000)</u> | <u>(90,203)</u> | <u>(49,651)</u> | <u>(139,854)</u> | <u>1,442,146</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer from General Fund | 20,000 | 98,204 | 20,000 | 118,204 | 98,204 |
| USDA Rural Development Bonds | 1,255,000 | - | - | - | (1,255,000) |
| Bond Anticipation Notes | 307,000 | - | 307,000 | 307,000 | - |
| Total | <u>1,582,000</u> | <u>98,204</u> | <u>327,000</u> | <u>425,204</u> | <u>(1,156,796)</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures | <u>\$ -</u> | <u>\$ 8,001</u> | <u>\$ 277,349</u> | <u>\$ 285,350</u> | <u>\$ 285,350</u> |
| RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL | | | | | |
| Excess of revenues over (under) expenditures | | | \$ 277,349 | | |
| Rconciling items | | | | | |
| Capital outlay | | | 50,051 | | |
| Debt proceeds | | | (307,000) | | |
| Total reconciling items | | | <u>(256,949)</u> | | |
| Change in net position | | | <u>\$ 20,400</u> | | |

HERTFORD COUNTY, NORTH CAROLINA
SANITATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | 2013 | | Variance Positive (Negative) | 2012 |
|--|------------------|---------------------|------------------------------------|--------------------|
| | Budget | Actual | | Actual |
| <u>REVENUES</u> | | | | |
| Operating Revenues | | | | |
| Charges for services | \$ 921,000 | \$ 852,226 | \$ (68,774) | \$ 834,602 |
| Other | 54,972 | (8,980) | (63,952) | 109,253 |
| Total Operating Revenues | <u>975,972</u> | <u>843,246</u> | <u>(132,726)</u> | <u>943,855</u> |
| Nonoperating Revenues | | | | |
| Interest Earnings | 500 | 365 | (135) | 445 |
| Total Nonoperating Revenues | <u>500</u> | <u>365</u> | <u>(135)</u> | <u>445</u> |
| Total Revenues | <u>976,472</u> | <u>843,611</u> | <u>(132,861)</u> | <u>944,300</u> |
| <u>EXPENDITURES</u> | | | | |
| Landfill: | | | | |
| Administration and operations | | 384,579 | | 402,425 |
| Contract services | | 567,636 | | 566,021 |
| Capital Outlay | | 272,421 | | - |
| Total Expenditures | <u>1,338,892</u> | <u>1,224,636</u> | <u>114,256</u> | <u>968,446</u> |
| Revenues Over (Under) Expenditures | <u>(362,420)</u> | <u>(381,025)</u> | <u>(18,605)</u> | <u>(24,146)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers from (to) other funds | | | | |
| General Fund | 3,024 | 3,024 | - | 1,948 |
| Fund balance appropriated | 359,396 | - | (359,396) | - |
| Total Other Financing Sources (Uses) | <u>362,420</u> | <u>3,024</u> | <u>(359,396)</u> | <u>1,948</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>\$ -</u> | <u>\$ (378,001)</u> | <u>\$ (378,001)</u> | <u>\$ (22,198)</u> |
| RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL | | | | |
| Excess of revenues over (under) expenditures | | \$ (378,001) | | \$ (22,198) |
| Depreciation | | (16,774) | | (22,449) |
| Capital outlay | | 272,421 | | - |
| (Increase) decrease in vacation pay | | (3,557) | | 14,637 |
| (Increase) decrease OPEB obligation | | (19,983) | | (21,230) |
| Total reconciling items | | <u>232,107</u> | | <u>(29,042)</u> |
| Change in net position | | <u>\$ (145,894)</u> | | <u>\$ (51,240)</u> |

AGENCY FUNDS

Agency funds are used to account for assets held by the County as an agent for individuals and local governments.

- **Social Services Fund:** This fund accounts for moneys held by the Social Services Department for the benefit of certain individuals in the County.
- **Inmates Money Fund:** This fund accounts for moneys of inmates that are held by the County for their personal expenses.
- **Fines and Forfeitures and DMV Interest Fund:** This fund accounts for fines and forfeitures collected by the County that are required to be turned over to the Hertford County Board of Education and interest collected that is required to be turned over to the NC DMV.
- **Tax Fund:** This fund accounts for taxes and fees that are billed and collected by the County for various municipalities within the County.

HERTFORD COUNTY, NORTH CAROLINA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Balance July 1, 2012 | Additions | Deductions | Balance June 30, 2013 |
|---|-------------------------|--------------|--------------|--------------------------|
| <u>Social Services</u> | | | | |
| Assets | | | | |
| Cash | \$ 36,790 | \$ 57,423 | \$ 59,556 | \$ 34,657 |
| Liabilities | | | | |
| Miscellaneous liabilities | \$ 36,790 | \$ 57,423 | \$ 59,556 | \$ 34,657 |
| <u>Inmates Money</u> | | | | |
| Assets | | | | |
| Cash | \$ 105,549 | \$ 77,262 | \$ 73,568 | \$ 109,243 |
| Liabilities | | | | |
| Intergovernmental payable | \$ 105,549 | \$ 77,262 | \$ 73,568 | \$ 109,243 |
| <u>Fines and Forfeitures and DMV Interest</u> | | | | |
| Assets | | | | |
| Cash | \$ 1,433 | \$ 142,210 | \$ 142,337 | \$ 1,306 |
| Liabilities | | | | |
| Intergovernmental payable | \$ - | \$ 120,856 | \$ 120,856 | \$ - |
| Due to DMV | 1,433 | 21,354 | 21,481 | 1,306 |
| | \$ 1,433 | \$ 142,210 | \$ 142,337 | \$ 1,306 |
| <u>Tax Fund</u> | | | | |
| Assets | | | | |
| Cash | \$ - | \$ 3,675,332 | \$ 3,675,332 | \$ - |
| Liabilities | | | | |
| Intergovernmental payable | \$ - | \$ 3,675,332 | \$ 3,675,332 | \$ - |
| <u>Totals - All Agency Funds</u> | | | | |
| Assets | | | | |
| Cash | \$ 143,772 | \$ 3,952,227 | \$ 3,950,793 | \$ 145,206 |
| Liabilities | | | | |
| Miscellaneous liabilities | \$ 143,772 | \$ 3,952,227 | \$ 3,950,793 | \$ 145,206 |

OTHER SCHEDULES

This schedule contains additional information required on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy – County-Wide Levy
- Schedule of Ten Largest Taxpayers

HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

| Fiscal Year | Uncollected Balance July 1, 2012 | Additions | Collections and Adjustments | Uncollected Balance June 30, 2013 |
|--|--|----------------------|--|---|
| 2012-2013 | \$ - | \$ 12,704,088 | \$ 11,929,485 | \$ 774,603 |
| 2011-2012 | 564,410 | - | 343,024 | 221,386 |
| 2010-2011 | 192,053 | - | 71,124 | 120,929 |
| 2009-2010 | 117,536 | - | 28,263 | 89,273 |
| 2008-2009 | 84,143 | - | 9,062 | 75,081 |
| 2007-2008 | 67,333 | - | 4,936 | 62,397 |
| 2006-2007 | 54,462 | - | (956) | 55,418 |
| 2005-2006 | 52,480 | - | (176) | 52,656 |
| 2004-2005 | 83,648 | - | 37,252 | 46,396 |
| 2003-2004 | 18,649 | - | (32,984) | 51,633 |
| 2002-2003 | 139,388 | - | 139,388 | - |
| | <u>\$ 1,374,102</u> | <u>\$ 12,704,088</u> | <u>\$ 12,528,418</u> | 1,549,772 |
| | | | Less: allowance for uncollectible accounts | <u>(150,000)</u> |
| | | | | <u>\$ 1,399,772</u> |
| <hr/> | | | | |
| Reconciliation with revenues: | | | | |
| Ad valorem taxes - General Fund | | | \$ 12,638,802 | |
| Interest and discounts | | | <u>(188,358)</u> | |
| | | | | 12,450,444 |
| Reconciling items: | | | | |
| Amounts written off for 2002-2003 levy | | | | 77,974 |
| Total Reconciling Items | | | | <u>77,974</u> |
| Total Collections and Credits | | | | <u>\$ 12,528,418</u> |

**HERTFORD COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
JUNE 30, 2013**

| | County-wide | | | Total Levy | |
|--|--------------------------------|-------|----------------------|---|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current year's rate | \$ 1,417,926,766 | 0.840 | \$ 11,910,585 | \$ 10,625,102 | \$ 1,285,483 |
| Dog tax | - | | 7,380 | 7,380 | - |
| Fire Districts | - | | 76,037 | 76,037 | - |
| Total Original Levy | <u>1,417,926,766</u> | | <u>11,994,002</u> | <u>10,708,519</u> | <u>1,285,483</u> |
| Discoveries | 86,306,072 | 0.840 | 724,971 | 724,971 | - |
| Abatements | <u>(5,840,238)</u> | 0.840 | <u>(49,058)</u> | <u>(3,981)</u> | <u>(45,077)</u> |
| Total Property Valuation | <u><u>\$ 1,498,392,600</u></u> | | | | |
| Net Levy | | | 12,669,915 | 11,429,509 | 1,240,406 |
| Uncollected taxes at June 30, 2013 | | | <u>(774,603)</u> | <u>(431,503)</u> | <u>(343,100)</u> |
| Current year's taxes collected | | | <u>\$ 11,895,312</u> | <u>\$ 10,998,006</u> | <u>\$ 897,306</u> |
| Current levy collection percentage | | | <u>93.89%</u> | <u>96.22%</u> | <u>72.34%</u> |

**HERTFORD COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
JUNE 30, 2013**

Secondary Market Disclosures:

Assessed Valuation:

| | |
|--|----------------------|
| Assessment Ratio | 100% |
| Real Property | \$ 1,394,349,007 |
| Personal Property | 103,398,360 |
| Public Service Companies | <u>645,233</u> |
| Total Assessed Valuation | 1,498,392,600 |
| Tax Rate per \$100 | 0.84 |
| Levy (includes discoveries, releases and abatements) | <u>\$ 12,586,498</u> |

In addition to the County-wide rate, the following table lists the levies by the County on behalf of fire protection districts for the fiscal year ended June 30:

| | |
|---------------------------|------------------|
| Fire Protection Districts | <u>\$ 76,037</u> |
|---------------------------|------------------|

**HERTFORD COUNTY, NORTH CAROLINA
TOP TEN TAXPAYERS
JUNE 30, 2013**

| Taxpayer | Type of Business | Assessed Valuation | Percentage of Total Assessed Valuation |
|-------------------------------------|-----------------------|-----------------------|--|
| Enviva Pellets Ahoskie, LLC | Manufacturing | \$ 59,894,180 | 4.00% |
| Wackenhut Corrections Corp | Correctional Facility | 56,459,465 | 3.77% |
| Nucor Corporation | Manufacturing | 43,059,475 | 2.87% |
| Kerr Group LLC | Manufacturing | 18,735,493 | 1.25% |
| Perdue Grain and Oil Seed, LLC | Manufacturing | 17,988,769 | 1.20% |
| Carroll's Foods of Virginia, Inc. | Livestock | 12,015,239 | 0.80% |
| Ahoskie Center LLC | Shopping Center | 8,095,767 | 0.54% |
| FIATP Timber LLC | Timber sales | 6,028,811 | 0.40% |
| US Bank National Association | Banking | 5,208,692 | 0.35% |
| Commercial Ready Mix Products, Inc. | Manufacturing | 4,999,818 | 0.33% |
| | | <u>\$ 232,485,708</u> | <u>15.52%</u> |

COMPLIANCE SECTION

Winston, Williams, Creech, Evans, & Company, LLP

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Report On Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To The Board of County Commissioners
Hertford County, North Carolina

We have audited, in accordance with the audited standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hertford County, North Carolina as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprises Hertford County's basic financial statements, and have issued our report thereon dated November 20, 2013. Our report includes a reference to other auditors who audited the financial statements of the Hertford County Public Health Authority, the Hertford County ABC Board or the Hertford County Economic Development Commission, as described in our report on Hertford County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of Hertford County ABC Board and the Hertford County Economic Development Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hertford County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hertford County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less

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severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hertford County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

We noted certain matters that we reported to management of the Hertford County, in a separate letter dated November 20, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Oxford, NC
November 20, 2013

Winston, Williams, Creech, Evans, & Company, LLP

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Report On Compliance with Requirements Applicable To Each Major Federal Program and Internal Control over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Hertford County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Hertford County, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Hertford County's major federal programs for the year ended June 30, 2013. Hertford County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hertford County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hertford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hertford County's compliance.

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Basis for Qualified Opinion on Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, Hertford County did not comply with requirements regarding the CFDA 93.778 Medical Assistance Program as described in finding numbers 13-1, 13-2 and 13-3 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Hertford County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Hertford County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2013.

Other matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 13-1, 13-2 and 13-3. Our opinion on each major federal program is not modified with respect to these matters.

Hertford County's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. Hertford County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Hertford County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hertford County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned

functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 13-1 and 13-2 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-3 to be a significant deficiency.

Hertford County's responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. Hertford County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Oxford, NC
November 20, 2013

Winston, Williams, Creech, Evans, & Company, LLP

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Report On Compliance with Requirements Applicable To Each Major State Program and Internal Control over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Hertford County, North Carolina

Report on Compliance for Each Major State Program

We have audited Hertford County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Hertford County's major state programs for the year ended June 30, 2013. Hertford County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hertford County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Hertford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on Hertford County's compliance.

Basis for Qualified Opinion on the Medical Assistance Program and State County Special Assistance

As described in the accompanying schedule of findings and questioned costs, Hertford County did not comply with requirements regarding CFDA 93.778 Medical Assistance Program as described in finding numbers 13-1, 13-2 and 13-3 for Eligibility and State County Special Assistance as described in finding number 13-4 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Hertford County to comply with the requirements applicable to those programs.

Qualified Opinion on the Medical Assistance Program and State County Special Assistance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Hertford County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance and State County Special Assistance Programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 13-1, 13-2, 13-3, and 13-4. Our opinion on each major state program is not modified with respect to these matters.

Hertford County's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. Hertford County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Hertford County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hertford County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned

functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 13-1, 13-2 and 13-4 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-3 to be a significant deficiency.

Hertford County's responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. Hertford County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Oxford, NC
November 20, 2013

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major federal programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 Yes No

Identification of major federal programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 93.778 | Medical Assistance Program |

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 940,746

Auditee qualified as low-risk auditee? Yes No

State Awards

Internal Control Over State Programs:

Material weakness(es) identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes No

Type of auditors' report issued on compliance for major State program: Qualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act Yes No

Identification of major state Programs:

Program Name
Medical Assistance
State County Special Assistance for Adults

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

**US Department of Health and Human Services
Centers for Medicare and Medicaid Services**

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance
Program Name: Medical Assistance Program
CFDA #: 93.778

Finding 13-1

**MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE**

Eligibility

Criteria: Record keeping is required for documentation of eligibility and expenditures of Federal and State Awards. Accurate and up-to-date record keeping is required to substantiate all actions taken. Case files should contain income verification such as pay stubs, wage verification forms, award letters for benefits, etc. Earned income is then converted to a monthly amount. Liquid assets include cash, bank accounts, certificates of deposit, securities, or any asset which can be converted to cash. Trust funds and life insurance policies are also considered to be liquid assets. The record should contain verification that liquid assets were verified and whether countable or non-countable for purposes of determining eligibility. Resource limits vary by Medicaid category.

Condition: Files were reviewed that did not have proper documentation to support information entered into the EIS system or how arrived at calculated amounts. There were files that contained errors that were corrected before being entered into the computer, but not corrected on paper. Items that are required for certain eligibility criteria were not documented as being performed. The files did not always contain clear documentation of how information was derived, what information is to be included and what information should be excluded per policy. One case file showed termination of benefits but was not appropriately communicated to ensure that scheduled services were cancelled.

Questioned Costs: For the transportation services provided after services were terminated, the questioned costs were \$19.22.

Context: There were 60 Medicaid cases tested for eligibility and 60 test for Transportation services. Out of the 60 cases tested for eligibility, one included an error involving citizenship documentation. This case entered the wrong citizenship code into EIS and did not have documentation in the file to match the code that was entered. Another case had the wrong Medicaid program indicated on the budget in the file; however, the information was correct in the EIS system. Supporting documentation for how child support was calculated was not in the case file to support the amounts used in the budget. Out of the 60 cases for transportation services, one file did not have documentation in the case file that supported an approved service was provided to an approved location. There was another transportation case in which a transportation service was provided to the client after the benefits had been terminated.

Effect: Ineffective records to substantiate actions taken by the County and expenditures paid. Services were provided after benefits terminated.

Cause: Workers did not document work properly in the case file and maintain support for services, budget amounts, etc. Ineffective record keeping policies and enforcement of those policies.

Recommendation: The County should implement a record-keeping policy for all of its awards programs to ensure that required documentation is clearly identified and a consistent manner of filing the information is instituted. Files should then be reviewed internally to ensure the proper documentation is taking place. Workers should be retrained on file maintenance and what information files should contain. The importance of complete and accurate record-keeping should be stressed.

Views of responsible officials and planned corrective actions: Hertford County agrees with the finding and will clarify our record-keeping policy including what items are required to be included and the accuracy of those files. Workers will be trained/retrained on the record-keeping policy, the need for proper documentation, and the necessity of keeping case files separated.

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

**US Department of Health and Human Services
Centers for Medicare and Medicaid Services**

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance
Program Name: Medical Assistance Program
CFDA #: 93.778

Finding: 13-2

**MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE**

Income Verification and Budget Calculations for Eligibility

Criteria: Case files should contain verification such as pay stubs, wage verification forms, award letters for benefits, etc. Earned income is converted to a monthly amount for comparison to income limits for assistance. Child support is calculated as an average of six months of support received for the child on the case. Unearned income must also be verified. Total monthly income from a completed budget is then compared to and must be lower than the State provided maintenance amount for the respective Medicaid program.

Condition: Two case files did not implement child support correctly in its budget. Four files had errors in the budgets involving incorrect earned income calculations and using incorrect State provided maintenance amounts. There was another case file that did not contain documentation that retirement income was verified.

Questioned Costs: There were no questioned costs on these cases as all applicants were still eligible for the benefits received.

Context: Out of 60 files tested, two had miscalculations within the budget regarding earned income, one file did not show verification of retirement income, three budgets utilized an incorrect amount for the State provided income maintenance and two files did not correctly report child support payments in the budget.

Effect: Case files did not have a correct budget calculation of income or an incorrect comparison of calculated income to the State provided income maintenance limits.

Cause: Ineffective budget review process and incomplete documentation contained in case files.

Recommendation: Workers should be retrained on what constitutes income, how to calculate/convert income as required for the budget, and what items can be excluded from income. Files should be reviewed internally to ensure proper documentation is in place for eligibility and calculations are performed correctly.

Views of responsible officials and planned corrective actions: Hertford County has reviewed case files and corrections have been made. Coaching and training has been provided to workers about reviewing and double checking work and figures being entered or used to determine eligibility.

**US Department of Health and Human Services
Centers for Medicare and Medicaid Services**

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance
Program Name: Medical Assistance Program
CFDA #: 93.778

Finding: 13-3

**SIGNIFICANT DEFICIENCY
SIGNIFICANT NONCOMPLIANCE**

Liquid Asset Verification for Eligibility

Criteria: Liquid assets include cash, bank accounts, certificates of deposit, securities, or any asset which can be converted to cash. Trust funds and life insurance policies are also considered to be liquid assets. The record should contain verification that liquid assets were verified and whether countable or non-countable for purposes of determining eligibility. Resource limits vary by Medicaid program.

Condition: Two Medicaid files did not contain correct documentation that income or liquid assets were verified. One file used an incorrect amount when calculating liquid assets. The other file did not contain sufficient or correct documentation of verification of liquid assets.

Questioned Costs: We were unable to directly determine the questioned costs for this case as the state pays the benefits directly. Information was requested of the state but not received before filing this report.

Context: There were 18 Adult Medicaid and 9 Medicaid for Families and Children cases selected for testing which require verification of liquid assets. Out of the 27 cases, one case had verification of the client's checking account in a prior certification period. However, in the certification period tested, a savings account was newly added that did not get verified appropriately. When verifying reserves in another case, a number was transposed when calculating liquid assets.

Effect: Files are incomplete or incorrect and do not support asset declarations by applicant.

Cause: Ineffective record keeping and review process to check for mathematical accuracy of calculations.

Recommendation: Workers should be retrained on resources and how the rules vary for different Medicaid programs. The importance of checking their work should be stressed to catch mathematical errors.

Views of responsible officials and planned corrective actions: Hertford County has reviewed the impacted cases and corrections are being made. Eligibility has been determined to still be correct. Supervisors have reviewed the cases with workers and provided coaching/training.

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

IV. State Award Findings and Questioned Costs

See Findings 13 - 1, 13 - 2 and 13 - 3

N. C. Department of Health and Human Services
Division of Aging and Adult Services
Program Name: State/County Special Assistance

Finding 13-4

MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE

Eligibility

Criteria: Record keeping is required for documentation of eligibility and expenditures of State Awards. Accurate and up-to-date record keeping is required to substantiate all actions taken. All facilities that are receiving State and County Special Assistance payments for a resident of the facility must be licensed and certified by the State that it is eligible for SA payments. This license is checked electronically at time of application or renewal. A screen print must be made at the time of application / recertification as each new license for that facility overwrites the previous license in the system.

Condition: Two case files did not contain documentation in the file that the recipient resided in a licensed facility eligible for SA payments.

Questioned Costs: A total of \$9,276 was paid to these two facilities over the twelve-month certification period.

Context: There were ten non-SSI and four SSI SA cases tested. 1 case in each category did not have the Facility Information Screen Print in the case file that shows they were licensed.

Effect: Ineffective records to substantiate approval by the County and expenditures paid.

Cause: Workers did not document work properly in the case file and maintain support for approval. Ineffective record keeping policies and enforcement of those policies.

Recommendation: The County should implement a record-keeping policy for all of its awards programs to ensure that required documentation is clearly identified and a consistent manner of filing the information is instituted. Files should then be reviewed internally to ensure the proper documentation is taking place. Workers should be retrained on file maintenance and what information files should contain. The importance of complete and accurate record-keeping should be stressed.

Views of responsible officials and planned corrective actions: Hertford County agrees with the finding and will clarify our record-keeping policy including what items are required to be included and the accuracy of those files. Workers will be trained/retrained on the record-keeping policy, the need for proper documentation, and the necessity of keeping case files separated.

**HERTFORD COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings

Finding: 13-1

Name of contact person: Adonica Hampton, Director of Hertford County Social Services Administration

Corrective Action: Record-keeping policy will be clarified and the importance of complete and accurate files will be stressed to all case workers.

Proposed Completion Date: June 30, 2014

Finding: 13-2

Name of contact person: Adonica Hampton, Director of Hertford County Social Services Administration

Corrective Action: Coaching and training will be provided to workers about reviewing and double checking work and figures being entered or used to determine eligibility.

Proposed Completion Date: June 30, 2014

Finding: 13-3

Name of contact person: Adonica Hampton, Director of Hertford County Social Services Administration

Corrective Action: Coaching and training will be provided to workers about liquid assets and resources.

Proposed Completion Date: June 30, 2014

Section IV - State Award Findings

See Findings 13 - 1, 13 - 2, and 13 - 3

Finding: 13-4

Name of contact person: Adonica Hampton, Director of Hertford County Social Services Administration

Corrective Action: Record-keeping policy will be clarified and the importance of complete and accurate files will be stressed to all case workers.

Proposed Completion Date: June 30, 2014

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding: 12-1

Status: Record-keeping policy was clarified and the importance of complete and accurate files was stressed to all case workers. Review of case files indicates improvement in the year ended June 30, 2013 however there were still issues noted with record-keeping.

Corrective Action: Record-keeping policy will be clarified and the importance of complete and accurate files will be stressed to all case workers.

Finding: 12-2

Status: Vacation pay is now included in income for the budget for eligibility.

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

| GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE | FEDERAL CFDA NUMBER | FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES | STATE EXPENDITURES |
|--|---------------------------|--|-----------------------|
| FEDERAL AWARDS: | | | |
| <u>U.S. Dept. of Agriculture</u> | | | |
| <u>Food and Nutrition Service</u> | | | |
| Passed-through the N.C. Dept. of Health and Human Services: | | | |
| Division of Social Services: | | | |
| Administration: | | | |
| <u>Food Stamp Cluster:</u> | | | |
| State Administrative Matching | | | |
| Grants for the Supplemental Nutrition Assistance Program | 10.561 | \$ 338,618 | \$ - |
| Total Food Stamp Cluster | | <u>338,618</u> | <u>-</u> |
| Total U.S. Dept. of Agriculture | | <u>338,618</u> | <u>-</u> |
| <u>U.S. Dept of Homeland Security</u> | | | |
| Passed-through N.C. Dept. of Crime Control and Public Safety: | | | |
| Division of Emergency Management | | | |
| Homeland Security Grant | 97.067 | 40,000 | - |
| Emergency Management Performance Grant | 97.042 | 35,503 | - |
| Hazardous Materials Emergency Preparedness Training & Planning Grant | 20.703 | 9,718 | - |
| Recovery Act-Edward Byrne Memorial Justice Asst. Grant | 16.804 | 3,539 | - |
| Total Federal Emergency Management | | <u>88,760</u> | <u>-</u> |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Passed-through the N.C. Department of Commerce: | | | |
| Community Development Block Grant | 14.228 | 196,674 | - |
| <u>U.S. Dept. of Health & Human Services</u> | | | |
| <u>Administration on Aging</u> | | | |
| Division of Social Services: | | | |
| Passed-through Mid-East Commission: | | | |
| Aging Cluster: | | | |
| Special Programs for the Aging-Title III B | | | |
| Grants for Supporting Services and Senior Centers | 93.044 | 141,195 | 157,348 |
| Total Aging Cluster | | <u>141,195</u> | <u>157,348</u> |

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

| GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE | FEDERAL CFDA NUMBER | FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES | STATE EXPENDITURES |
|---|---------------------------|--|-----------------------|
| <u>Administration for Children and Families</u> | | | |
| Passed-through the N.C. Dept. of Health and Human Services | | | |
| Division of Social Services: | | | |
| <u>Foster Care and Adoption Cluster:</u> | | | |
| Title IV-E Foster Care-Administration | 93.658 | 100,020 | 5,253 |
| Title IV-E Adoption-Administration | 93.659 | 5,766 | - |
| Foster Care - Direct Benefit Payments | 93.658 | 22,652 | 4,605 |
| Adoption Assistance - Direct Benefit Payments | 93.659 | 68,521 | 18,083 |
| Total Foster Care and Adoption Cluster | | 196,959 | 27,941 |
| Temporary Assistance for Needy Families | | | |
| Work First | 93.558 | 201,916 | - |
| Work First/TANF | | | |
| Direct Benefit Payments | 93.558 | 197,408 | (287) |
| N.C. Child Support Enforcement Section | 93.563 | 349,712 | - |
| Low Income Energy Assistance Program | | | |
| Administration | 93.568 | 356,016 | - |
| Child Welfare Services- State Grants | | | |
| Permanency Planning-Families for Kids | 93.645 | 1,777 | 37 |
| SSBG-Other Services and Training | 93.667 | 193,057 | 18,445 |
| Promoting Safe & Stable Families | 93.556 | 654 | - |
| Independent Living Grant | 93.674 | 1,730 | 432 |
| Total | | 1,302,270 | 18,627 |
| Division of Child Development: | | | |
| Subsidized Child Care | | | |
| <u>Child Care Development Fund Cluster:</u> | | | |
| Division of Social Services: | | | |
| Child Care Development Fund-Administration | 93.596 | 75,691 | - |
| Division of Child Development: | | | |
| Child Care and Development Fund- Discretionary | 93.575 | 327,090 | - |
| Child Care and Development Fund-Mandatory | 93.596 | 131,225 | - |
| Child Care and Development Fund-Match | 93.596 | 114,166 | 35,705 |
| Total Child Care Development Fund Cluster | | 648,172 | 35,705 |
| Social Services Block Grant | 93.667 | 1,697 | - |
| TANF | 93.558 | 173,993 | - |
| Foster Care Title IV-E | 93.658 | 7,389 | 3,579 |
| Smart Start | n/a | - | 14,918 |
| State Appropriations | n/a | - | 40,448 |
| TANF-MOE | n/a | - | 150,486 |
| Total Subsidized Child Care Cluster | | 831,251 | 245,136 |

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

| GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE | FEDERAL CFDA NUMBER | FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES | STATE EXPENDITURES |
|---|---------------------------|--|-----------------------|
| <u>Centers for Medicare and Medicaid Services</u> | | | |
| Passed-through the N.C. Dept. of Health and Human Services: | | | |
| Division of Medical Assistance: | | | |
| Direct Benefit Payments: | | | |
| Medical Assistance Program | 93.778 | 27,771,390 | 16,116,799 |
| SHIP | 93.779 | 4,246 | - |
| Division of Social Services: | | | |
| Administration: | | | |
| Medical Assistance Program | 93.778 | 442,402 | 48,441 |
| State Children's Insurance Program- N.C. Health Choice | 93.767 | 30,618 | 721 |
| Total U.S. Dept. of Health and Human Services | | 30,720,331 | 16,615,013 |
| <u>U.S. Election Assistance Commission</u> | | | |
| Passed through the State Board of Elections: | | | |
| HAVA Grant | 39.011 | 13,832 | - |
| Total U.S. Election Assistance Commission | | 13,832 | - |
| Total federal awards | | 31,358,215 | 16,615,013 |
| STATE AWARDS: | | | |
| <u>N.C. Dept. of Health and Human Services</u> | | | |
| Division of Aging and Adult Services: | | | |
| Division of Social Services: | | | |
| State/County Special Assistance for | | | |
| Adults-Direct Benefit Payments | | - | 449,870 |
| Administration | | - | 6,350 |
| State Foster Care Benefits Program-Direct | | - | 4,350 |
| CWS Adoption Subsidy-Direct | | - | 47,975 |
| Smart Start | | - | 9,649 |
| F/C at Risk Maximization-Direct | | - | 1,386 |
| SFHF Maximization-Direct | | - | 100 |
| Total N.C. Dept. of Health and Human Services | | - | 519,680 |

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

| GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE | FEDERAL CFDA NUMBER | FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES | STATE EXPENDITURES |
|--|---------------------------|--|-----------------------|
| <u>N.C. Dept. of Public Safety</u> | | | |
| Division of Community Services | | - | 105,198 |
| Total N.C. Dept. of Public Safety | | - | 105,198 |
| <u>N.C. Dept. of Environmental and Natural Resources</u> | | | |
| Division of Soil and Water Conservation: | | | |
| Soil Technician Grant | | - | 26,675 |
| SWC-Administration | | - | 3,600 |
| Division of Waste Management | | | |
| Scrap Tire Program | | - | 11,216 |
| Total N.C. Dept. of Environmental and Natural Resources | | - | 41,491 |
| <u>N.C. Dept. of Transportation</u> | | | |
| Rural Operating Assistance Program (ROAP) | | | |
| ROAP Elderly and Disabled Transportation | | - | 51,102 |
| ROAP Rural General Public Program | | - | 28,280 |
| ROAP Work First Transitional-Employment | | - | 10,387 |
| Total N.C. Dept of Transportation | | - | 89,769 |
| <u>N.C. Dept. of Administration</u> | | | |
| Veteran Services Officer | | - | 1,452 |
| <u>N.C Rural Economic Development Center</u> | | | |
| Rural Development Grant 2012-041-60501-107 | | - | 138,450 |
| Rural Development Grant 2012-158-60701-107 | | - | 41,520 |
| Rural Development Grant 2012-214-60501-104 | | - | 190,698 |
| Total N.C. Rural Economic Development Center | | - | 370,668 |
| Total State awards | | - | 1,128,258 |
| Total federal and State awards | | \$ 31,358,215 | \$ 17,743,271 |

**HERTFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTES TO PRECEDING SCHEDULE OF FEDERAL AND STATE AWARDS:

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Hertford County, North Carolina, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133. Audits of State, Local Governments, and Non-Profit Organizations and State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statement. Certain benefit payments are paid directly to recipients and are not included in the county's general purpose financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. SUBRECIPIENTS

Of the federal and state expenditures presented in this schedule, Hertford County provided federal and State awards to subrecipients subrecipients as follows:

| <u>Program Title</u> | <u>CFDA #</u> | <u>Federal Expenditures</u> | <u>State Expenditures</u> |
|--------------------------------------|---------------|-----------------------------|---------------------------|
| Project Challenge | - | \$ - | \$ 30,155 |
| Success Academy | - | - | 29,966 |
| MHFC Temporary Foster Care | - | - | 14,406 |
| Vocational Job & Educational Program | - | - | 35,991 |

3. The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care and Foster Care and Adoption.